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**STANDING COMMITTEE ON DEFENCE
(2020-21)**

(SEVENTEENTH LOK SABHA)

MINISTRY OF DEFENCE

[Action Taken by the Government on the Observations / Recommendations contained in the Seventh Report (17th Lok Sabha) on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)']

EIGHTEENTH REPORT



LOK SABHA SECRETARIAT

NEW DELHI

March, 2021/ Phalguna, 1942 (Saka)

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Presented to Lok Sabha on 16.03.2021

Laid in Rajya Sabha on 16.03.2021



LOK SABHA SECRETARIAT

NEW DELHI

March, 2021/ Phalguna, 1942 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE ON DEFENCE (2020-21)

SHRI JUAL ORAM

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CHAIRPERSON

Lok Sabha

2. Shri Deepak (Dev) Adhikari
3. Kunwar Danish Ali
4. Shri Ajay Bhatt
5. Shri Devusinh Jesingbhai Chauhan
6. Shri Nitesh Ganga Deb
7. Shri Rahul Gandhi
8. Shri Annasaheb Shankar Jolle
9. Choudhary Mehboob Ali Kaiser
10. Prof. (Dr.) Ram Shankar Katheria
11. Smt. (Dr.) Rajashree Mallick
12. Dr. T.R. Paarivendhar
13. Shri Kapil Moreshwar Patil
14. Shri Anumula Revanth Reddy
15. Shri Jugal Kishore Sharma
16. Dr. Shrikant Eknath Shinde
17. Shri Prathap Simha
18. Shri Brijendra Singh
19. Shri Mahabali Singh
20. Shri Kotagiri Sridhar
21. Shri Durga Das Uikey

Rajya Sabha

22. Dr. Ashok Bajpai
23. Shri Prem Chand Gupta
24. Shri Sharad Pawar
25. Shri V. Lakshmikantha Rao
26. Shri Sanjay Raut
27. Shri Rajeev Satav
28. Dr. Abhishek Manu Singhvi
29. Shri Kamakhya Prasad Tasa
30. Dr. Sudhanshu Trivedi
31. Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

- | | | | |
|----|--------------------|---|----------------------|
| 1. | Smt Kalpana Sharma | - | Additional Secretary |
| 2. | Dr. Sanjeev Sharma | - | Director |
| 3. | Shri Rahul Singh | - | Deputy Secretary |
| 4. | Smt Shilpa Kant | - | Committee Officer |

INTRODUCTION

I, the Chairperson of the Standing Committee on Defence (2020-21), having been authorized by the Committee, present this Eighteenth Report of the Committee on 'Action Taken by the Government on the Observations/Recommendations contained in the Seventh Report on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'.

2. The Seventh Report (17th Lok Sabha) was presented to the Lok Sabha and laid in Rajya Sabha on 13.03.2020. The Report contained 36 Observations/Recommendations. The Ministry of Defence furnished Action Taken Replies on all the Observations/Recommendations in July, 2020

3. The Report was considered by the Committee at the Sittings held on 09.03.2021 and 15.03.2021 and adopted at the Sitting held on 15.03.2021.

4. For facility of reference and convenience, Observations/Recommendations of the Committee have been printed in bold letters in the Report.

5. An analysis of Action Taken by the Government on the Observations/Recommendations contained in the Seventh Report (17th Lok Sabha) of the Standing Committee on Defence is given in Appendix II.

New Delhi;
15 March, 2021
24 Phalguna, 1942 (Saka)

JUAL ORAM
Chairperson
Standing Committee on Defence

ACTION TAKEN REPORT ON THE RECOMMENDATIONS CONTAINED IN THE SEVENTH REPORT (SEVENTEENTH LOK SABHA) OF THE STANDING COMMITTEE ON DEFENCE ON THE SUBJECT 'DEMANDS FOR GRANTS OF THE MINISTRY OF DEFENCE FOR THE YEAR 2019-20 ON CAPITAL OUTLAY ON DEFENCE SERVICES, PROCUREMENT POLICY, DEFENCE PLANNING AND MAP (DEMAND NO. 20)'

REPORT

CHAPTER I

This report of the Standing Committee on Defence deals with Action Taken by the Government on the observations/recommendations contained in the Seventh Report (17th Lok Sabha) on 'Demands for Grants of the Ministry of Defence for the year 2019-20 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning And Map (Demand no. 20)' which was presented to Lok Sabha and laid in Rajya Sabha on 13.03.2020.

2. The Committee's Seventh Report contained 36 Observations/Recommendations on the following aspects:-

Para No.	Subject
1-3	Capital Outlay on Defence Services
4	Projections and Allocations in respect of three services
5-6	Additional Allocation
7	Improvement in Perimeter Security
8	Ratio for Capital and Revenue Outlay
9-10	Modernization of Defence Forces
11	Non Lapsable Defence Modernisation Fund – Defence Renewal Fund
12-13	Committed Liabilities and New Schemes
14	Defence Procurement Policy
15	Capital and Annual Procurement Plan
16	Accountability and Transparency in Defence Procurement
17-19	Increasing Dependence on Foreign Suppliers for Military Hardware

20-21	Extreme Cold Weather Clothing System
22-24	Offset Clause
25-26	Import Contents in OFB and DPSUs
27	Defence Investor Cell
28-30	Five Year Defence Plans
31	Long Term Integrated Perspective Plan (LTIPP)
32	Advance planning for the Force
33-34	Married Accommodation Project
35	Current status of Phase II and III of MAP
36	Priority allocation of Dwelling Units for Combat Forces

3. Action Taken Replies have been received from the Government in respect of all the observations/recommendations contained in the Report. However, the replies on Recommendation No. 20 and 21 have been termed as “classified” by the Ministry and have been forwarded to Hon’ble Chairperson in a sealed cover. These replies have been placed under ‘accepted’ category. The remaining replies have been examined and categorised as follows:

(i) (A) Observations/Recommendations which have been accepted by the Government:

**Para Nos. 4,7,8,12,13,15,16,17,18,19,20,21,22,23,25,26,27,28,
29,30,31,32 and 36.**

(23 Recommendations)

(Please see Chapter II (A) of the Report)

(i) (B) Observations/Recommendations which have been accepted by the Government and commented upon:

Para Nos. 1,2,3,5 and 6

(5 Recommendations)

(Please see Chapter II (B) of the Report)

(ii) Recommendations/Observations which the Committee do not desire to pursue in view of the Government's replies:

Nil.

(0 Recommendation)

(Please see Chapter III of the Report)

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration and to be commented upon:

Para No. 33

(1 Recommendation)

(Please see Chapter IV of the Report)

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Para No. 9,10,11,14,24,34 and 35 .

(07 Recommendations)

(Please see Chapter V of the Report)

4. The Committee desire that the Ministry's response to their comments made in Chapter I of this Report and final replies to the recommendations/ Observations for which only interim replies have been given by the Government to be furnished to them at the earliest and in any case not later than six months of the presentation of this Report.

5. It goes without saying that Action Taken Statements which are due to be submitted within six months of the presentation of this Report, see the light of the day within the prescribed timeline.

A. CAPITAL OUTLAY ON DEFENCE SERVICES

(Recommendation No. 1-3):

Recommendation No. 1

6. The Committee had recommended as under:

“The Committee note from the information submitted by the Ministry that Capital Outlay provides allocation for Land & Construction Works of the three Services and other departments. In other words, it caters for the expenditure incurred on durable assets of Defence Services, i.e., Army, Navy, Air Force, Joint Staff, Defence Ordnance Factories, Defence Research & Development Organisation(DRDO), Director General Quality Assurance(DGQA), National Cadet Corps (NCC), Married Accommodation Project, National Defence Academy and Rashtryia Rifles etc.”

Recommendation No. 2

7. “The Committee further note that during the year 2020-21, the Ministry allocated Rs. 1,13,734.00 crore in the Capital Budget head against the projection of Rs. 1,75,702.06 crore, which amounts to the shortage of Rs.61,968.06 crore. Out of this head for the Services only Rs. 1,02,432 crore was allocated against the projection of Rs. 1,61,849.20 crore, leaving a gap of Rs. 59,416.63 crore. Similarly, the Capital (Acquisition including DGOF Supplies) is allocated Rs. 90,047.80 crore, Land & Works of three Services (including Married Accommodation Projects)Rs. 12,384.77 crore, DRDO, DGOF and other Defence Departments Rs. 11,301.43 crore.”

Recommendation No. 3

8. “The Committee are of the view that the considerable shortage in the allocation of the budget in the Capital Head, which is 35 per cent less the projection, would affect acquisition of latest weaponry, aircraft, ships, tanks and capital intensive projects including land, building and other infrastructure. The Committee feel and desire that to develop, and acquire the most modern state-of-the art fighting platforms, which can match Northern and Western neighbours, the requisite allocation to the Capital Head is very essential. While approving the allocations for the Defence Budget, the Ministry of Defence should take up the matter with the Ministry of Finance explaining them the importance of capital works which become made done to maintain the ideal ratio of 60:40 between the Revenue and Capital Heads. At this stage, the Committee can only recommend that the requisite funds under the Capital Head be allocated to the Ministry at the Supplementary Grants stage.”

9. The Ministry in its Action Taken Reply has stated as under:

“In BE 2020-21, an amount of Rs. 1,13,734.00 Crore (i.e. an increase of Rs. 10,339.69 Crore over BE 2019-20) has been allocated under Defence Services Estimates in Capital Head by Ministry of Finance against projections of Rs. 1,75,702.06 Crore. Additional requirements will be assessed under Capital Head and will be sought from Ministry of Finance at Supplementary/RE stage.”

10. The Committee find that in BE for the year 2020-21, an amount of Rs. 1,13,734 crore has been allocated under Defence Services Estimates in Capital Head by Ministry of Finance which is an increase of Rs. 10,339.69 Crore over BE 2019-20. The Committee take a serious note of the fact that there is still a shortfall of Rs 61, 968.06 crore which is a substantial amount keeping in view the defence needs. As additional requirements were to be assessed under Capital Head, the Committee desire to know the total amount assessed by the Ministry of Defence and also the trajectory envisaged by the Ministry to meet the requirements in the face of this shortfall.

B. ADDITIONAL ALLOCATION

(Recommendation No. 5-6):

Recommendation No. 5

11. The Committee had recommended as under

“The Committee highlighted in their 3rd Report (17th Lok Sabha) that against projections of Rs. 1,70,936.07 crore under Capital Head, only Rs. 1,03,394.31 crore were allocated. In this context, the Ministry was asked to state the steps taken in overcoming the shortfall. The Committee note from the reply submitted by the Ministry that Ministry of Finance had not allocated requirements projected by this Ministry under Capital Budget for FY 2019-20, nevertheless, Capital Expenditure of the Ministry had gone up in absolute terms. It may be relevant to point out here that under Capital Head there was trend of cut in Budget Allocation at RE stage due to slow pace of expenditure. This trend was reversed in FY 2017-18 and 2018-19 due to extensive delegation of financial powers. The allocated Capital Budget has been fully utilised since 2016-17, reversing the previous trends of surrender of funds. In the current financial year, based on pace of expenditure Ministry of Finance has allocated additional amount of Rs. 7,000 crore under Capital Head in RE 2019-20.”

Recommendation No. 6

12. “The Committee are surprised over the fact that during the year 2019-20, the short fall in the projection to allocated amount was Rs. 67,541.76 crore, however, the Ministry of Defence is convinced with additional allocation of meagre Rs. 7,000 crore. The Committee, therefore, in unequivocal terms recommend that all-out efforts should be done to give first and foremost priority to the preparedness of the Defence Forces. It should be ensured that critical requirements of Services do not suffer due to want of funds. The Committee also hope that the Ministry of Defence will take measures for timely expenditure of the allocated fund so additional fund can be sought from the Ministry of Finance at Supplementary Grants stage.”

13. The Ministry in its Action Taken Reply has stated as under:

“The operational preparedness of the Defence Forces is the first and foremost priority of this Ministry. All out efforts are made to ensure that critical requirements of Services do not suffer due to want of funds. Necessary instructions are issued from time to time for adherence to financial propriety and avoidance of underutilization of funds/wasteful expenditure.

The Committee is assured that all efforts will be made to ensure optimum utilization of scarce resources. Based on progress of expenditure, pending committed liabilities etc., additional funds will be sought from Ministry of Finance at appropriate stage(s).”

14. Pursuant to their recommendation of timely expenditure of the allocated funds and seeking of supplementary grants as additional funds from the Ministry of Finance, the Committee note that all efforts will be made by the Ministry to ensure optimum utilization of scarce resources. The Committee were informed that based on the progress of expenditure, pending committed liabilities etc., additional funds will be sought from Ministry of Finance at appropriate stage(s). The Committee, therefore, desire to know whether the Ministry had sought additional funds from the Ministry of Finance. In case of a positive response, they would like to be apprised of the details in this regard.

C. MODERNIZATION OF DEFENCE FORCES

(Recommendations No. 9 -10):

Recommendations No. 9

15. The Committee had recommended as under:

“From the replies submitted by the Ministry, the Committee note that the moderation involves the acquisition of new state-of-the-art platforms, technologies and weapon systems to upgrade and augment Defence capabilities and it is a continuous process based on threat perception, operational challenges and technological changes to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. As per the assertion of the Ministry, the Government attaches the highest priority to ensure that the Armed Forces are sufficiently equipped to meet any operational requirement. This is achieved through induction of new equipment and technological upgradation of capabilities. The equipment requirements of the Armed Forces are planned and progressed through a detailed process which includes 15 Year Long Term Integrated Perspective Plan (LTIPP), a five year service-wise capability Acquisition Plan, a two year roll-on Annual Acquisition Plan and deliberations by the defence Acquisition Council Chaired by the Raksha Mantri.”

Recommendations No. 10

16. "The Committee appreciate the various measures taken by the Government to modernize our forces i.e. opening up of the Defence Industry sector for Indian private sector participation, with Foreign Direct Investment (FDI), notification of the Strategic Partnership (SP), Model which envisages establishment of long term Strategic Partnership with Indian entities wherein they would tie up with global Original Equipment manufacturers (OEMs) to seek technology transfers to set up domestic manufacturing infrastructure and supply chain etc. However, the Committee feel that it is in fitness of things that first of all adequate allocation be made in the Capital Budget so that procurement of new equipment and upgrading of existing equipment and systems can take place in a seamless manner. The Committee accordingly recommend that the more impetus should be given to promote indigenous design, development and manufacture of Defence & aerospace equipment in the country under 'Make in India' by modernization, capacity development of the Defence sector also take place."

17. The Ministry in its Action Taken Reply has stated as under:

"Defence Procurement Procedure (DDP), 2016 is currently under revision towards promulgation of DPP, 2020. Enhancement of Indigenous Content and further 'Support to Make in India' initiative are some of the highlights of the proposed DPP, 2020. Incentives have also been proposed to promote sourcing from local/indigenous vendors. Some of the proposals for providing further impetus to the indigenous defence manufacturing are mentioned below:-

- (a) New categories are being added to boost indigenization, viz.; Buy (Global-Manufacture in India) and Leasing (Indian).
- (b) Indigenous content requirements are being enhanced under various acquisition categories.
- (c) Provisions for Innovation, iDEX and open competition have been introduced for MSMEs and Start-ups.
- (d) Special sections/ provisions have been added to source military materials locally.
- (e) Utilization of indigenous software has been proposed.
- (f) Aero-engines and FAB (Facilities manufacturing Silicon Wafers) to be taken up as projects of national importance through indigenous source.
- (g) Incentives for MSMEs are being introduced.

As regards allocation of adequate Budget, it is submitted that this Ministry proposes projections made by the Services to Ministry of Finance for favourable consideration. Ministry of Finance conveys ceilings, based on which funds are allocated to Services/ Organizations depending on trend of expenditure, projections made by the Services, committed liabilities to be fulfilled etc. Every effort is made to ensure that no project/ proposal is shelved for want of funds."

18. In pursuance to their recommendation regarding promotion of indigenous design, development, manufacture of Defence Aerospace equipments in the country under 'Make in India' by modernization, capacity development of the Defence sector, the Committee find that Defence Procurement Procedure (DPP) 2016 is currently under revision. Further it was informed to the Committee that incentives have also been proposed to promote sourcing from local/indigenous vendors. As around one year has been passed since the Committee gave their recommendation, they would like to be apprised of the progress made in this direction by the Ministry. The Committee also recommend that the Ministry should expedite the finalisation and implementation of DPP, 2020 in order to manufacture defence and aerospace equipments in the country at the earliest.

D. MARRIED ACCOMMODATION PROJECT

Recommendation No 33:

19. The Committee had recommended as under:

“The Committee note that Directorate General of Married Accommodation Project (DG MAP) was raised by Government of India under the aegis of Engineer in Chief to construct married accommodation for the three services, with the aim of eradicating the deficiency of married accommodation for service personnel. The MAP was setup to fulfill the promise made to the Armed Forces by the Government of India. The total deficiency of two lakh dwelling units have been slated for construction in four phases. After construction of dwelling units over the time period, at present, there is a deficiency of 70,432 dwelling units in respect of Army and 670 in respect of Air Force.”

20. The Ministry in its Action Taken Reply has stated as under:

“The overall progress of MAP at present across all phases are as under :-

<u>PH</u>	<u>STNS</u>	<u>DUs</u>	<u>COST (IN CR)</u>	<u>OVERALL PROG</u>
I	86	57,875	6,032.70	100%
II	157	69,904	13,681.90	94%
III	A	13	7,259.38	DPR for eight packages are under progress
	B	145	16,020.32	
Total	401	1,98,881	42,994.30	1,15,267 of 1,27,779 DUs(90.20%) completed till date

The total deficiency of two lakh Dwelling Units (DUs) had earlier been slated for construction in four phases. However the third and fourth phases of MAP were amalgamated to complete the entire requirement in three phases. Accordingly planning of MAP Ph III was sanctioned for 71,102 Dwelling Units. However, due to non availability of funds it was decided to undertake construction of Ph III in two parts and activity was restricted to 24,592 Dwelling Units. In accordance with the directions, planning of MAP Ph III has commenced at 13 locations (08 packages) and the DPR for the same are in advanced stage of completion. The present MAP PH III can thus be treated as MAP Ph III 'A' and the left over Dwelling Units can form part of MAP Ph III 'B'. The Ministry is contemplating alternative sources for funds for the project.

The present impetus towards modernization of requirements of defence services, does not allow adequacy of funds for MAP Phase-III. The Government is therefore, contemplating to take up some Dwelling Units based on the NBCC's model as a pilot project. The draft CCS Note on MAP for commencement of MAP Phase III will be processed after finalization of the Dwelling Units under NBCC's model on pilot basis by carrying out subsequent changes in the number of Dwelling Units to be taken up through the MAP route and the estimated cost etc."

21. The Committee note that planning of MAP Ph III was sanctioned for 71,102 Dwelling Units (DU). The Committee are constrained to note the perennial problem of paucity of funds under the MAP due to which there is non-completion of the sanctioned number of DUs for the last few years. The Committee commend the Ministry to opt for alternative sources of funds to meet the requirements and wish to be intimated of the progress made by the Ministry in this regard. Taking into account the draft CCS Note on MAP for commencement of MAP Phase III will only be processed after finalization of the DUs under NBCC's model on pilot basis, the Committee desire the Ministry to take concrete steps to finalise the CCS Note on MAP at the earliest. The Committee would like to be apprised of the consequent developments in this regard.

CHAPTER II (A)

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Projections and Allocations in respect of three services

Recommendation No. 4:

From the information submitted by the Ministry, the Committee note that since 2015-16, none of the three Services have been given the matching allocation as per the projection. The gap which was there in 2015-16 for Army Rs. 4,596 crore has increased to Rs. 17,911.22 crore in 2020-21 (from 14 per cent to 36 per cent). In case of Navy, the difference was Rs. 1,264.89 crore in 2014-15, which has increased to Rs. 18,580 crore in 2020-21 (5 per cent to 41 per cent) and for Air Force, the gap which was Rs. 12,505.21 crore in 2015-16 has increased to Rs. 22,925.38 crore in 2020-21 (27 per cent to 35 per cent). The Committee opine that such situation is not conducive for preparation of country to modern day warfare, where possession of capital intensive modern machines are pre requisite for not only tilting the result of war in our favour but also having a credible deterrence capabilities. The Committee observe that Navy's fighting capabilities depends on the high value platforms like Aircraft Carrier, Submarines, destroyers and frigates but the allocation of Capital Budget for Navy (percentage) wise has the sharpest decline. The Committee, therefore, recommend the Ministry not to make any cut while allocating Budget for Capital Head for any of the Services in the Demands to be made in the coming years.

Reply of the Government

Earlier, there was a trend of reduction in BE allocations under Capital Head at RE stage based on pace of expenditure. This trend was reversed in 2017-18 and no cut was imposed in RE 2017-18 as well as RE 2018-19. In RE 2019-20, Rs. 1,10,394.31 Crore has been allocated to Ministry of Defence under Capital Head i.e. an increase of Rs. 7,000 Crore over BE 2019-20. In BE 2020-21, Rs. 1,13,734.00 Crore has been allocated which is an increase of Rs.10,339.69 Crore over BE 2019-20 allocations under Capital Head. The budget is allocated to the Services based on the allocation received from Ministry of Finance.

Improvement in Perimeter Security

Recommendation No. 7:

The Committee note with satisfaction that in the wake of past attacks on military stations and accommodations, approval of Hon'ble Raksha Mantri for invoking Emergency Powers of procurement under Schedule-23 of DFPDS-2016 to be exercised by Vice Chief of Army Staff has been conveyed in February-March, 2018 for undertaking expenditure amounting to Rs.1,587.27 crore on strengthening of the perimeter infrastructure and access control mechanisms covering military bases/ aviation bases

of six Army Commands. Further, after the review of Security requirements of all the bases, Indian Air Force has incurred an expenditure of Rs. 907 crore from 2016 to 2019. Similar provisions have also been made by Indian Navy. Considering that very high value assets are kept in the Defence establishment, the Committee desire that continuous flow of funds for the improvement and upgradation of the perimeter infrastructure and also for access control mechanisms for all the Defence establishment should be provided.

Reply of the Government

The recommendation of the Committee has been noted for compliance and it may be ensured that critical requirements of Services do not suffer due to want of funds. Based on progress of expenditure, additional funds will be sought from Ministry of Finance at appropriate stage(s).

Ratio for Capital and Revenue Outlay

Recommendation No. 8:

The Ministry submitted the information about the ratio for Capital and Revenue outlay from 2014-15 onwards, which reflected a sharp increase in favour of Revenue budget in case of Army, which had a ratio of 84:16 in 2014-15 to 82:18 in 2020-21. This ratio is way short of the ideal ratio of 60:40 (Revenue: Capital) as mentioned by the representatives of Army during deliberations before the Committee. The trend in respect of the other seems to be up to the mark but the allocation in monetary term is not supporting it. The Committee are of the view that measures should be taken to bridge the gap and the Ministry should try to achieve ideal ratio in respect of Army and other services.

Reply of the Government

Army is a manpower intensive force and Navy and Air Force are Capital Intensive forces and the same is being reflected in the distribution of funds in the Revenue and Capital Segment of the respective Services.

2. This Ministry proposes projections made by the services under Revenue and Capital Budget to Ministry of Finance for favourable consideration. Ministry of Finance conveys ceilings separately for Revenue (Salary and Non-Salary) and Capital, based on which funds are allocated to Services. The procedure followed for allocation involves trend of expenditure, projections made by the Services, committed liabilities to be fulfilled etc. Therefore, it may not be possible to maintain a particular ratio in favour of Capital or Revenue. However, every effort is made to ensure that no project/ proposal is shelved for want of funds. As and when required additional funds are sought from Ministry of Finance. In absence of receipt of additional funds, requirements are reprioritized for optimum utilization of available resources.

Committed Liabilities and New Schemes

(Recommendation No. 12-13):

Recommendation No. 12

The Committee note that Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in previous years. Under the Defence Services Estimates, Committed Liabilities constitute a significant element in respect of the capital acquisition segment, since one project may span several financial years. As such, it is important to track the element of Committed Liabilities which holds first charge on the budget allocation. Inadequate allocation for committed liabilities would definitely lead to 'default situation' on contractual obligations. New Schemes include new projects/proposals which are at various stages of approval and are likely to be implemented in near future.

Recommendation No. 13

The Committee learn that at present, the Ministry has removed separate allocation to Committed Liabilities and New Schemes in the Defence Services Estimates (DSE) and now it is covered under Capital Acquisition. The allocation for it in the year 2020-21 for Army is Rs. 26,068.61 crore against the projection of Rs. 41,530.80 crore. In case of Navy, allocation is Rs. 24,598.00 crore against the projection of Rs. 40,927.91 crore and similarly, in case of Air Force, allocation is Rs. 39,030.91 crore against the projection of Rs. 60,840.17 crore. The Committee also take note of the fact that the Ministry has assured that the allocated funds are optimally and fully utilised towards operational activities and if required, the schemes would be re-prioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services. The Ministry of Defence had sought an additional fund of Rs. 70,478.38 crore at RE stage 2019-20 under Modernization (Capital Acquisition) head but based on the allocations received from Ministry of Finance, an additional amount of only Rs. 8877.08 crore has been provided for in RE 2019-20. Considering such apathy towards allocation in Capital Acquisition fund, the Committee are wary of the fact that without sufficient allocation for Committed Liabilities, there would be difficulty in matching deadlines in the payments towards already committed purchases. Similarly, if there is no budget available for New Schemes, there would be no procurement for latest weaponry and modernization would take a back seat. Therefore, the Committee has no option but to recommend that a dedicated fund should be earmarked for Committed Liabilities and New Schemes, invariably from next Budget onwards.

Reply of the Government

Committed Liability refers to payments anticipated during a financial year in respect of contracts concluded in previous years. Under the Defence Services Estimates, Committed Liabilities constitute a significant element in respect of the Capital Acquisition segment, since one project may span over several financial years. As such, it is important to track the element of Committed Liabilities which holds first charge on the budget allocation. New Schemes include new projects/proposals which are at various stages of approval and are likely to be implemented in near future. Both Committed Liabilities and New Schemes are included in Capital Acquisition segment of Capital budget. Allocations under Committed Liabilities and New Schemes are dependant on ceilings

received from Ministry of Finance. The allocated funds are optimally and fully utilised towards operational activities. However, if required, the schemes are re-prioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Services.

Capital and Annual Procurement Plan

Recommendations No. 15:

The Committee note that Capital and Revenue procurement cases under this policy are taken up by Ministry of Defence based on Annual Acquisition Plans for Capital and Annual Procurement Plan for Revenue and are processed as per delegation of financial powers. Navy, Air and Army Wings are the nodal points in Ministry of Defence for revenue procurements and three Joint Secretary cum Acquisition Managers are the nodal points for capital procurements for each services respectively. Capital procurement cases upto Rs. 150 crore are delegated to Service HQs and cases above Rs. 150 crore are processed by Ministry of Defence. During the period 2016-17, the Defence Services progressively delegated higher financial powers for both routine as well as emergency procurements with the aim to reduce time frames and enhance Defence preparedness. The Committee welcome this move by the Ministry of Defence, such financial delegation of power would not only instill sense of responsibility in the delegated authorities but also help in quick decision making, avoiding unnecessary delays.

Reply of the Government

The observation of the Committee on Capital and Annual Procurement Plan has been gone through. It is clarified that the cases under this policy based on Annual Acquisition Plans pertain to Capital Acquisition only and not to Revenue Procurement. It is also intimated that capital procurement cases upto Rs. 300 crore are delegated to Service HQs and cases above Rs. 300 crore are processed by Ministry of Defence.

Accountability and Transparency in Defence Procurement

Recommendations No. 16:

From the information submitted by the Ministry, for ensuring accountability and transparency in Defence Procurement cases, the Committee note that measures for promoting Probity, Public Accountability and Transparency in Defence capital procurements, include execution of Pre-Contract Integrity Pact (PCIP) for all cases above Rs. 20 crore, to ensure corruption free procurement process (binding agreement between parties that their officials will not offer or accept bribes), guidelines for handling of complaints provide for time bound disposal of complaints which are aligned to CVC/DOP&T guidelines, instructions issued for ascertaining vigilance status of L1 vendor before seeking approval of the Competent Financial Authority (CFA) and guidelines for penalties in business dealings with entities and capacity assessment for shipbuilding entities notified. The Committee recommend that the above measure be strictly followed and firm monitoring mechanism be in place for early procurement of weapon systems. At this juncture, the Committee would also like to

recommend that after these measures are ensured, the Ministry should not pay heed to uncalled for interventions from unreliable sources and go for the procurements as planned.

Reply of the Government

The recommendation of the Committee to follow strictly all the measures for promoting Probity, Public Accountability and Transparency in Defence capital procurements and put in place a firm monitoring mechanism for early procurement of weapon systems, has been circulated to all stakeholders for strict compliance.

Increasing Dependence on Foreign Suppliers for Military Hardware

(Recommendations No. 17 – 19):

Recommendations No. 17

The Committee observe that the burgeoning import in Arms and Equipment is the cause of worry, on being largest importer in the World, the Ministry apprised the Committee that no authoritative and official information of India being the largest importer of Defence equipment is available as no country officially reveals information on import of Defence equipment. However, in the report published in February 2017 by the Stockholm International Peace Research Institute (SIPRI), India has been shown as the largest importer of Defence equipment for the year 2012-16. Capital procurement of Defence equipment is undertaken from various domestic as well as foreign vendors, as per extant Defence Procurement Procedure (DPP), based on threat perception, operational challenges and technological changes so as to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges.

Recommendations No. 18

The Committee understand that Capital procurement of Defence equipment is undertaken from various domestic as well as foreign vendor based on operational requirements of the Armed Forces, the availability or capacity to produce the equipment in India and abroad and to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. The Committee note that during the last four financial years (2015-16 to 2018-19), Out of total 210 contracts, 75 contracts worth about Rs. 1,67,898 crore have been signed with foreign vendors including USA, Russia, Israel, France etc. for procurements of Defence equipment for Armed forces. The Defence equipment imported during this period includes helicopters, aircrafts, missiles, rifles, artillery guns, simulators and ammunition.

Recommendations No. 19

The Committee also note that during the year 2019-20 (upto 31.12.2019), total expenditure on foreign contracts under Capital Acquisition budget for the Defence Forces was Rs. 31058.34 crore

which is 38.36% of the BE of Rs. 80959.08 crore for the Financial year 2019-20. The Committee are of the view that Ordnance Factories, DPSUs, DRDO and Private Industries should work in coordination to produce not only import substitute products but also expand their export potential so that the country become an exporter of defence equipment.

Reply of the Government

Detailed submissions in this regard have been made in Action Taken Replies to Recommendation No. 25 and 26 of instant Report. Further, following is also submitted to supplement the submissions made in response to Recommendation No. 25 and 26 in respect of Ordnance Factories and DRDO:-

A. Ordnance Factories Board (OFB).

OFB is persistently pursuing the national goal of self-reliance in Defence manufacture through high level of indigenization. In case of T-90 tanks, ToT was provided by Russian OEMs. On the other hand 'Dhanush' is an indigenous Artillery Gun System. This gun system has remarkably high indigenous content of more than 80% at prototype stage.

Greater thrust has been accorded to export. Structured mechanism has been created within OFB for achieving the same. It is brought out that OFB has achieved many fold growth in export revenue realization over the previous years. In order to boost up export potential, the following action has been initiated:

- a. Identification of following products for the next few years:
 - Large caliber ammunitions to Middle East, South East Asia & other countries.
 - Medium & small caliber ammunitions to African, Middle East, South East Asia & other countries.
 - Armored vehicle to Middle East, South East Asia & other countries.
 - Troop comforts and other items to African, South East Asia, Central Asia & other countries.
 - Propellant, Chemicals & Explosives to Africa, America, South East Asia & other countries
- b. A separate post of Member/Export & Marketing has been created at OFB to review and monitor export activities.
- c. Nodal Officers have been nominated at factory level for improving export performance and identifying potential products which can be offered from the respective unit as per the market requirement.
- d. Started engagements with channel partners in foreign countries for boosting its exports.
- e. Participating in various international exhibitions to promote its products in foreign countries.
- f. Indian Defence Attaché posted abroad and Defence Attaché of various countries posted in India are being contacted for assistance in boosting export.
- g. For targeted countries, OFB has also started preparing Bilingual product catalogues in English & Country's local language.

- h. To explore export potential, various delegations from Original Equipment Manufacturer (OEM) and foreign countries were invited for technical discussions.
- i. Started customization of products as per user requirements.
- j. OFB is certifying products & packing as per International standards accepted by international buyers.

B. DRDO

DRDO, in its pursuit for excellence in developing the cutting edge technologies for Advanced Defence Systems and Platforms, has delivered many state of the art flagship products to the country. In current global scenario, there is a persistent need to accelerate technology innovation and world-class product development, for boosting the “Make in India” policy to its higher level and to achieve self-reliance in defence and security. DRDO strategic academic persuade will foster to enhance the research eco system within academic environment in the country.

DRDO has been exploring the knowledge and expertise existing within the country at various academic institutes and research organizations by providing research grants for faculty driven projects through Five Research Boards. The objective of these grants has been to foster knowledge-based growth in science and advanced technologies, catalyze cross-fertilization of ideas and experience between DRDO and academic experts.

In last five years, DRDO has given impetus to collaboration with academia for DRDO requirement driven research in the indentified futuristic technology thrust areas. The Directed research is managed by Directorate of Futuristic Technology Management (DFTM) and DRDO has established eight Advanced Technology Centers (ATCs) at the premier institutes for carrying out research in the niche technology areas related to defence & security.

DRDO primarily awards projects to MSME through Technology Development Fund (TDF) for indigenous technology product development. Within this scheme industry can engage academia for better engineering solutions.

DRDO has research collaboration with around 155 institutes. DRDO has developed a network of more than 1500 industries including MSMEs.

DRDO works in close association and collaboration with private industries for development of it's defence systems and technologies. DRDO has evolved various industry models for engagement and development of Industries. These are Development Partner Model, Consortium Model, Concurrent Engineering Model, Joint Venture (JV) Model, Joint Development Model, Limited Series Production (LSP) Model, Government Owned and Company Operated (GOCO) Model, International Collaboration Model and Transfer of Technology (ToT) Model. These modes of industry

engagements, facilitate smooth transfer of DRDO developed technologies, provide necessary hand holding support to industries, provide technical support and support to facilitate exports.

The following steps have been taken by DRDO during the last three years to enhance the involvement of private sector in DRDO projects and programmes:

- DRDO has promulgated new ToT policy and procedures with zero ToT fee for its industry partners (Development cum Production Partners (DcPP)/ Development Partner (DP) and zero royalty for supply to Indian Armed Forces and GovtDeptt. Nil ToT fee and royalty will reduce the financial burden on Indian industries and Indian Armed Forces. Only 5 % ToT fee will be charged from non DcPP/DP industries. The policy has been made compatible with DPP-2016. This will provide further boost to Indian industries in defence manufacturing sector to achieve more self reliance.
- To facilitate ToT for Cat A (Military Technologies) and Cat B (Spin off/ Commercial use Technologies), a user friendly portal has also been launched for more transparency and clarity for the industry entrepreneurs.
- To unearth the hidden potential of spin off technologies and bring in more transparency, DRDO has entered into MOUs with four leading industry chambers namely Associated Chamber of Commerce and Industry of India (ASSOCHAM), Confederation of Indian Industry (CII), PHD Chamber of Commerce and Industry (PHDCCI) and National Research Development Corporation (NRDC) for technology assessment and commercialization of dual use, non-security sensitive technologies so that fruits of our technological progress reach the common man.
- DRDO has carried out intense interactions with industries all over the country to boost Defence Manufacturing sector and to achieve self reliance in Defence manufacturing. More than 900 industries from various cities in India were apprised on DRDO technologies and to facilitate the industries (including MSMEs) to absorb DRDO technologies to boost defence manufacturing sector and achieve self reliance in the defence technologies.

Offset Clause

Recommendation No. 22:

The Committee note that Offsets under Defence Capital Acquisition were introduced in the Defence Procurement Procedure (DPP) in 2005 based on the recommendation of the Kelkar Committee. The Offset guidelines in DPP have been amended 5 times thereafter. As per Defence Procurement Procedure (DPP 2016) there are 05 categories of capital procurement for Defence equipment's i.e. (i) Buy (Indian-IDD), (ii) Buy (Indian), (iii) Buy & Make (Indian), (iv) Buy & Make and (v) Buy (Global). The offset provision is applicable only on "Buy Global" and "Buy and Make" category of contracts. The offset provisions apply in capital acquisition contracts which are of more than Rs. 2,000 crore. The threshold level of Rs. 2,000 crore was raised from Rs.300 crore in 2016. However, the offsets are not applicable to procurements under "Fast Track Procedure" and in "Option Clause" cases if the same was not envisaged in the original contract. It is relevant to note that offset applicability on Indian companies under 'Buy Global' cases do not arise in case the indigenization component is more than 30%. Offset contracts are co-terminus with the main procurement contract and signed along with the main procurement contract after approval of CFA. The period of offset discharge can be extended on exceptional ground by a maximum period of 02 years. The DPP stipulates eligible products/services for discharge of offset obligations which covers Defence products, products for internal security and civil aerospace. The responsibility for fulfilment of offsets obligations lies with the main vendor. However, the vendor is permitted to discharge his obligations through Tier-1 subvendors based on their work share. The vendors are free to select their Indian Offset Partners (IOP) from DPSU/OFB/DRDO/private industry. The vendors are allowed to submit offset details either at the time of seeking offset credits or one year prior to discharge of offset obligations. Foreign vendors are permitted to bank offset credit in anticipation of future contracts. Banking of offset credits is permissible only for eligible avenues under the offset guidelines. The banked offset credits are non-transferable except between the main contractor and his Tier-1 sub-contractors within the same procurement contract. Assignment of offset credits to the vendors is only after completion of transactions and audit by MoD. Offset banking period has been allowed up to 7 years and pre-banked credits being allowed to fulfil maximum 50% offset obligation of any given contract.

Reply of the Government

The observations of the Committee are factual in nature and hence no comments are offered.

Recommendation No. 23:

The Committee have been apprised that as on date, a total of 54 Defence offset contracts have been signed in MoD out of which 32 cases pertain to Indian Air Force and 15 cases of Indian Navy and 07 of Indian Army. The total offset obligations are estimated at approximately US \$ 11.80 billion to be discharged over a period from 2008-2024.

Reply of the Government

As per the updated status, till date, a total of 56 Defence offset contracts have been signed in MoD, out of which 32 cases pertain to Indian Air Force, 16 cases are of Indian Navy and 08 cases of Indian Army. The total offset obligations are estimated at approximately US \$ 13.02 billion to be discharged over a period from 2008-2027.

(Recommendation No. 25 – 26):

Recommendation No. 25

The Committee find that in Spite of the Make in India Policy executed by the Government, there exist imports in terms of value and percentage in the Defence Production Units. In OFB as already brought out, the average import rests around 10%. In HAL, which is currently manufacturing platforms for various aircrafts, the import content in value terms ranges from 40 to 60 per cent. In BEL, the import content until 3rd quarter of 2019-20 is around 30 percent which was merely 20% in the year 2014-15. Likewise, in BEML, the import content upto December, 2019 was 21.41% in terms of net value of production. In BDL, during 2018-19, it registered 12.8% in comparison to 7.8% during 20-17-18. MDL has intimated that their import content for the warships and submarines under construction ranges between 28 to 70%. The import content of GSL upto December, 2019 was 16% which has come down from the average of about 25% from 2016-17 till 2018-19. GRSE has also supplied its figures which have also come down to 8.26% upto 2nd quarter of 2019-20 from that of 14.73 % during the year 2014-15. HSL has also maintained almost the same figures in terms of import content which is around 12.26% between April to December, 2019 in comparison to 15.47% during the year 2018-19.

Recommendation No. 26

While taking note of the above figures in regard to import contents, the Committee at this stage would not like to recommend anything which would adversely affect the pace and quality of the production of various assets. Nevertheless, they would like to be apprised of the concrete steps taken to reduce the import contents in future. They would also like to recommend that all-out concerted efforts be undertaken not only within the Defence Production Units, but from private manufacturers also by sharing their co-expertise developed in terms of R & D. The detailed note may be supplied to the Committee for their perusal at the time of furnishing the Action Taken Replies.

Reply of the Government

Department of Defence Production has taken several initiatives to reduce the import of Defence items. Some of the initiatives are enumerated as under:

- **Indigenization:** Policy for Indigenization was notified by Department of Defence Production on 08 March, 2019, with the objective to create an industry ecosystem. It is

estimated that Defence PSUs will reduce the import bill through indigenization of products and processes.

- **Development of Indigenization Portal:** DPSUs/OFB are uploading the data on the link provided. The proposed Indigenization portal will be a centralized one in which DPSUs/OFB and other stakeholders will be showcasing their imported items to be indigenized. Vendor will become aware of the above items and they can in turn, show their interest in those items where they have capability to manufacture.
- **Study on savings in cost –** IDSA, Delhi is studying savings in cost due to indigenization in the last 5 years in DPSUs/OFB. Final report submitted in Jan 2020.
- **Implementation of Make-II –** The Make-II framework for implementation by DPSUs/OFB was notified on 11.02.2019. DPSUs/OFB have identified approx. 2500 items under Make-II. These items are at various stages of development process.
- **Long Term Orders** -“Framework for placing Long Term Orders by DPSUs” has been approved by Hon’ble Raksha Mantri on 04 Nov 2019. Under this Framework, the procuring organization may aggregate demand of the item for a long period of upto 10 years, in cases where it finds challenges in indigenization.
- **Public Procurement Order:** 127 items have been notified under this order, thereby giving preference to domestic manufacturers in procurement of these items.
- **IGA With Russia for Indigenous Manufacturing of Spares:** An Inter-Governmental Agreement (IGA) on “Joint manufacturing of Spares, Components, Aggregates and other materiel related to Russian/ Soviet origin Arms and Defence Equipment” was signed during the 20th India-Russia Bilateral Summit held at Vladivostok on 4th Sept. 2019. The objective of the IGA is to enhance the After Sales Support of Russian origin equipment currently in service in Indian Armed Forces through partnership of Russian OEMs with the Indian industry under the framework of “Make in India” initiative. First list of spares proposed to be manufactured in India has been received from IAF, Indian Army, Indian Navy, OFB and HAL. The list comprising of nearly 1100 items has been shared with the Russian Side.
- **CPSE Conclave:** All DPSUs have identified project for Indigenization as part of Challenges identified in CPSE Conclave 2018.
- Inclusion of import reduction as parameter in MoUs of Defence PSUs.
- Around 700 items, manufactured by DPSUs and OFB, under various categories have been identified for inclusion in the proposed Negative list of import for Defence items.
- All DPSUs have been issued instructions to go domestic tenders only for projects less Rs 200 Crs.

The Defence PSUs/OFB wise reply is as under:

OFB: Regarding import substitute products, it is intimated that present level of indigenization in OFB is already very high at 92% due to continuous efforts in Ordnance factories over the years for both in-house development of imported items as well as development of new vendors in Indian industry. The total value of imports was less than 8% in 2019-20. Import dependency of OFB is only for those items for which complete ToT has not been made available by the OEMs.

Achieving self-reliance through indigenization of items and reducing dependency on imports, is one of the key objectives of OFB. For this drive, OFB is focused to indigenize items being imported with the association of Indian vendors. OFB has identified these items and uploaded on OFB website and is linked to Make in India site of MoD. Factory wise list of items, made available on OFB website also have the details of Nodal officers. Interested firms may contact the concerned Nodal Officers to obtain more details about these items.

OFB is pursuing a planned strategy to enhance the indigenous content in various products through various mode like provision of IGA for Russian items (mainly spares), in-house efforts, source development open tender enquiry, Make-II, and iDex.

HAL: The aircraft, helicopters and their systems are built to standard SOP (Standard of Preparation) after evolving component/module/system level specifications at the design stage. Any modification on SOP requires an elaborate re-certification process involving long gestation period and cost. Presently, import substitution on the platforms have been happening broadly under three circumstances;

- ✓ To upgrade existing system with a superior one to give better technical and functional capability or
- ✓ To address the issues of obsolescence in order to support and sustain fleet availability for its entire lifecycle.
- ✓ To indigenize high volume Standard parts/ Fasteners,etc.

In house development of a system as a substitute to imported one when the latter is already operational, with the sole moto of indigenization, is a less occurring phenomena. Indigenisation needs to be viewed in the perspective of techno-economic viability, in-house capability to offer high-end technology and the development time frame and its exploitation for a longer span of time on larger number of aircraft sets. Availability of good order book is a must to exploit the true economic benefits of indigenisation.

Indigenisation is a continuous endeavor at HAL on various platforms including LCA and futuristic projects. Major LRUs/ Components like Gyro Reference Unit, GPS Antenna, Actuators, Smart Multi-Function Display, Mission computer and Battery etc. are planned/ taken-up for Indigenisation.

Non-availability of aeronautical grade raw materials, consumables and standard parts of from indigenous sources is a serious limitation in achieving self-reliance as major proportion of the same is presently imported. Low volume of consumption, un-sustained order book, high cost and extensive qualification and certification procedure restrict the indigenization. These restrictions result in insufficient local demand and economy of scale could not be achieved for most of the items unless export opportunities are explored by the local vendors.

In respect of bought-out items like bearings, connectors or system equipment like actuators, ejection seats, fuel pumps, radars, EW equipment etc., the indigenous capability for Aeronautical standard is limited or does not exist in the country, and these will have to be invariably procured from foreign OEMs. It is also important to develop / Indigenise the raw materials such as metals/alloys/ composites/ semiconductor materials and electronic components such as Integrated Circuits (IC's)/ Resistors/ Capacitors etc.

In an ideal scenario, HAL would aim to achieve even higher levels of indigenisation which again is linked to the numbers to be produced. However, apart from the platform development, HAL also undertakes indigenisation of various high value systems and equipment of foreign origin fitted on HAL platforms and reduce dependence on imports and manage obsolescence, thus fostering self-reliance. Since, HAL is committed for the life cycle support of all its flying platforms which spans for 30-40 years, Indigenisation greatly helps in this endeavor. HAL has made following concerted efforts to raise the level of Indigenous content through in-house and outsourcing to Indian vendors.

- ✓ Dedicated Indigenisation Cells at Division level and an Indigenisation Department at Corporate level. A Permanent Monitoring Committee at HAL is formulated to oversee Indigenisation activities, efforts and monitor company-wide.
- ✓ Every year HAL indigenizes sizeable no. of imported items comprising of detail components, sub-assemblies and LRUs for sustenance of fleets and avoid production/ overhaul hold ups.
- ✓ In addition to HAL manufactured products, it also extends full support for maintenance and upgrades of aircraft & helicopters which are directly procured from foreign OEMs & used by defence services like AN-32, Mirage-2000, UAV (Heron/ Searcher), Seaking helicopters etc.
- ✓ A 'Make in India' portal is hosted in HAL website to offer opportunity of indigenization to private sector under regular indigenisation (Make I) and Make II programs.

- ✓ Details of test facilities available at HAL are also hosted for private vendors to utilize them during the course of Indigenisation.
- ✓ HAL has recently implemented the Make-II (Industry Funded) procedure with assured order quantity after successful development of items through private vendors in compliance of the framework promulgated by MoD with an objective of wider participation of Indian industry and impetus for MSME/start-ups sector. HAL has identified more than 2000 items for indigenisation under Make-II. The list of items identified for indigenisation under Make-II is hosted in HAL website along with the details of the concerned nodal officers of the respective HAL Divisions.
- ✓ HAL has hosted around 300 imported systems and sub systems of mechanical, electrical, avionics, instrumentation categories and more than 100 Tools, Testers and Ground Equipment (TTGE) in HAL's website to enable private industries to take up for indigenization through regular indigenisation route. Contact details of division wise nodal officer for each item is also provided in the website.
- ✓ Data of imported items being populated in the MoD Portal (Indigenisation) created by DPIT, MoD to facilitate import substitution through Indian Vendors.
- ✓ HAL is organizing/participating various vendor development programmes to identify capable vendors for Indigenization.
- ✓ HAL has also hosted in HAL's website, the list of test facilities which can be shared with private vendors

HAL is India's only aerospace major with indigenous design and manufacture capabilities. Procurement of HAL's indigenous products are effective import substitutes which obviate the need for import of flyaway platforms from foreign manufactures. Hence, products like ALH, LCA, LCH, LUH, HTT-40 and license platforms like Su-30 MKI, Hawk, Dornier if inducted in greater numbers would definitely bring economy of scale to the Indian private vendors and would contribute to further reduction of imports in the long term.

BEL: BEL generally does not import fully finished Defence equipment. However, for the design, manufacture & supply of Defence equipment, the company resorts to imports only for some of the special Components/Raw materials, proprietary items/sub-systems etc., (input material) that are not being manufactured in the country. Around 87% of BEL's turnover, on an average is, generated from products based on indigenous technology and the remaining mere 13% is on foreign ToT. The import content during 2019-20 was around 27% on value of production. BEL continuously strives to minimize the dependence on import of these items through consistent efforts on indigenization, outsourcing from domestic industry, vendor development, and collaborative R&D process involving Indian Pvt. Industry including MSMEs etc.

Towards achieving the objectives of self-reliance by continuous reduction in imports, BEL has evolved clear Roadmaps for Indigenization, including Make-II process and Collaborative R&D

projects to develop products. Some of the major specific measures deployed to enhance indigenization to minimize import content are listed below:

- Items with large quantities & high future business potential targeted for Indigenization. 100 items uploaded in BEL Website. Projects with order available or higher probability of acquisition are selected on priority. Projects with estimated prototype cost of upto Rs.25 lakhs reserved for MSMEs/Start-ups.
- Commonly Generic items targeted to build indigenous vendor base (Crystals, Filters, Power Supply, Convertors, Mechanical items, Raw Materials, Transformers, Connectors, Cables etc).
- 36 EOIs under Make-II have been published on BEL's e-Procurement portal to attract capable/prospective domestic manufacturers for indigenization. Responses received for 9 EOIs. Till date, 1,332 items are uploaded on 'Srijan' (DDP) Portal for indigenization.
- Preference to indigenous components/Sub-Assemblies over imported without compromise on quality & certification requirements.
- As part of CPSE Conclave action points of GoI, BEL has identified specific projects for Indigenization as part Challenges pertaining to "Minimizing Import Bill" and "Integration of Innovation & Research" through which various projects have been taken up for indigenization in collaboration with other CPSEs/OFB.
- Indigenization is one of the major avenues of BEL's Cost Reduction efforts where the company sets annual targets for achieving. Reduction in Import as a % of Revenue from Operations over the previous year is one of the Performance Criteria under MoU signed with Ministry.
- During 2019-20 BEL was able to indigenize around 330 items (provisional), which will result in considerable savings on import in future.
- Import bill reduction can be achieved through self-reliance in terms of manufacturing as well as design & development within the country. Following steps are being taken in BEL to enhance indigenisation.

Manufacturing: BEL is investing in Industry 4.0 technologies in areas of Manufacturing, Supply Chain and other broader digital transformation initiatives with specific, focused technology that span the entire organisation. The upcoming manufacturing Plants of BEL i.e. 'Defence Systems Integration Complex' at Palasamudram, Advanced EO and IIR seeker manufacturing facility at Nimmaluru and Land based EW Systems at Ibrahimpatnam and future plants will leverage the specific technologies of Industry 4.0. BEL can quickly diversify into new technology segments through necessary partnerships and scale up manufacturing.

e.g., BEL has manufactured and supplied 8153 nos. ventilators to several State Government.

R&D: With an aim to reduce the need for foreign ToT based products (which involve heavy imports), BEL will continue to take the following steps towards design & development of products indigenously:

- ✓ R&D investment of 8%-10% of the turnover every year. Last 5 years data:

2015-16	2016-17	2017-18	2018-19	2019-20
9%	9%	10%	9%	8%Appx. (Prelim.)

- ✓ Collaborations with National Labs (e.g., DRDO), academia and societies:

Radars	Naval systems	Missile Systems	Comm.	EO & Lasers	Encryption	Futuristic technologies
LRDE	NSTL, NPOL	RCI, DRDL	DEAL, DRDL	IRDE	CAIR, SETS	IITs (Kanpur, Karagpur, Hyderabad, Roorkee, IIIT-Jabalpur, IISc

- ✓ Development of 20 (or more) new products every year. Last 5 years data:

2015-16	2016-17	2017-18	2018-19	2019-20
15	20	23	21	22

- ✓ Import substitution of several expensive Modules and subsystems in various business segments. These include: Maritime Domain Awareness-Decision Support Software for NC3I, Radars (e.g Coastal Surveillance Radar, Compact Tactical Surveillance Radar, X-Band Active Phased Array Radar), Head Up Displays (Ex, Su 30 Aircraft), DMR Radios, Satellite On The Move (Ex, Ku Band SOTM), Chassis (Ex. Dip Brazed Chassis for DFCC), Power Systems (ex. SAPSU of Atulya Radar), Communication equip. (Radios, Switches, Gateways etc.) for Missile programs (QRSAM, Akash-NG, CIWS, etc.), Zoom lens & EO Sight systems, AI based solutions and Traffic Management for Smart Cities, Railways (RTIS), Metro Railways (AFC for DMRC), etc.
- ✓ Setting indigenization targets for every Business Unit and monitoring the progress. An indigenisation committee has been entrusted with this responsibility. Make-II process is being adapted to build an Indian ecosystem. Some of the ongoing efforts are as follows:

Sl#	Subsystem	Indian partner
1	5kVA UPS for ADTCR	3 MSMEs identified
2	Rugged 24" LED Display	
3	Line Interface and Detector Unit	
4	OFC Cable Assy.	EoI Re issued as no response from MSMEs
5	Voltage Controlled SAW Oscillator	
6	Gyro sensor based True North Finder (TNF)	EoI being prepared – to be issued to MSMEs
7	Power Supply 5V/60A	
8	VCOs (120MHz, 80MHz, 80MHz, 350MHz)	
9	SFP Transceivers (9 variants)	To Be Identified
10	Multi Output Power Supply	
11	Electronically Tunable High Power Microwave Band Pass Filter	Multiple MSMEs identified
12	Electronically Tunable Microwave Band Pass Filter	
13	Microwave Low Noise Amplifier	
14	Dehydrator with SNMP	
15	Wormed Gear Box	

- ✓ Strengthening the two Central Research Labs (CRL), BEL Software Technology Centre (BSTC) and Product Development & Innovation centre (PD&IC) for development of cutting edge futuristic and critical (cost extensive) technology Modules through:

	CRL, Bengaluru	CRL, Ghaziabad	BSTC	PD&IC
Current Manpower	260	187	249	269

- ✓ Empanelment of collaborative partners:

	Design Service Providers	Production Service Providers	R&D Consultants	R&D Solution Providers
Empanelment in 2019-20	165	38	35	30

Defence Innovation Organisation (DIO): "Defence Innovation Organisation", under Section 8 of Companies Act, 2013, has been created by Hindustan Aeronautics Limited (HAL) and Bharat Electronics Limited (BEL), each holding 50% of the capital to implement the Defence Innovation Fund (DIF) initiative of MoD.

- ✓ Innovation for Defence Excellence (iDEX) frame work, under the ambit of DIO, is primarily aimed towards fostering innovations & nurturing entrepreneurship in the field of defence production.
- ✓ iDEX will function as the executive arm of DIO, carrying out all the required activities for Co-innovation/co-creation of relevant technologies, Piloting of candidate technologies in important platforms and Indigenization of various defence and aerospace related platforms.
- ✓ Under this scheme, it has been envisaged to work with India's innovation entities like existing incubators, which would help in discovery and exploration of Startups/MSMEs that can perform the function of co-creation. iDEX would work with these incubators closely, tracking upcoming Startups/MSMEs and Innovators, and investing in them opportunistically. These incubators are roped for carrying out the following tasks:
 - a) Explore & discover Start-ups/MSMEs that can co-create innovative defence technologies with the Indian Armed Forces.
 - b) Mentor & nurture such Start-ups/MSMEs.
 - c) Run programs like accelerators to support the identified Start-ups/MSMEs.
 - d) Promote defence innovations at schools & college levels.
 - e) Support identified Start-ups/MSMEs with prototyping and piloting defence related products/technologies.
 - f) Support DIO-iDEX in building the eco-system for Start-ups to interact with the Indian Defence establishment.
- ✓ iDEX-DIO has so far entered into MoUs with the following eight incubators:
 - i. Coimbatore Innovation & Business Incubator (CIBI), (FORGE)
 - ii. Centre for Innovation Incubation & Entrepreneurship, IIM, Ahmedabad
 - iii. IITM Incubation Cell, Chennai
 - iv. Society for Innovation & Entrepreneurship (SINE), IIT- Bombay (Mumbai)
 - v. T – Hub, Hyderabad
 - vi. Foundation for Innovation and Technology Transfer (FITT), IIT DELHI
 - vii. IISc, Bengaluru, IIT Hyderabad
 - viii. Maker Village as Partner Incubators

The above measures are expected to further bring down the import content in the coming years.

BEML: BEML's has achieved indigenization levels of over 90% in the mainline Mining & Construction products, Rail coaches & EMU's, over 80% in High Mobility Vehicles and over 65% in Metro cars. The overall import content depends on product mix manufactured each year. As the portion of Metro cars in the overall sales has increased from 15% to 41% during the last 5 years, the import content as percentage of overall Value of Production has increased.

BEML has planned to set up 'Make in India Parks' by attracting potential partners with niche technology and consequently minimize import dependency while creating export opportunities. This will not only facilitate indigenization of complex aggregates but will also create employment opportunities.

- ✓ Indigenisation for cabin of High Mobility Vehicles through ToT
- ✓ Indigenous manufacture of Defence Spares through JV.
- ✓ Indigenous manufacture of propulsions for Metro Cars / EMUs through JV.

BEML is also Working towards 'ZERO IMPORT' policy of the Government, through ToT / JVs; BEML has published 'Expression of Interest' for indigenous development of 1269 imported items under Make-II procedure. Development POs have already been placed for 139 items. In line with MoD guidelines, Top-20 imported items have been identified for Indigenization out of which 7 items have been indigenized during 2019-20. Import content was 20% (ProvnI.) during FY 2019-20.

To further enhance indigenisation, BEML has invited 'Expression of Interest' for manufacturing and technology partnerships with reputed global OEMs looking to establish and / or expand their supply chains / manufacturing base in India for the manufacture of various goods and/or service business in the areas of Defence & Aerospace, Rail & Metro, Mining & Construction, Engines and aggregates with the overarching objective of "Aatma Nirbhar Bharat".

Towards protecting the Intellectual property of the Company, the Innovation Cell has succeeded in filing 155 IPRs since setting up, including 70 IPR during 2019-20 covering innovations in product design, manufacturing and operations. Eight patents have been awarded so far. During the year, patent was awarded for "Radio control system for clutch control geared dozer".

The Company is also working with industry partners to leverage technology for the benefit of customers such as introducing AI features in machines. During the year 2019-20, three following AI based products were developed:

- ✓ Mobile Medical Health Diagnostic System,
- ✓ Sleep / Fatigued operator alert system on Dump Trucks,

- ✓ Predictive maintenance of Mining equipment thru big data analytics and Machine learning algorithms.

BDL: Indigenous content in BDL products varies from 78% to 99 %. The product mix of the production during a year decides the import content and may not directly related to the value of production. During 2017-18 the product mix contains the products which have higher indigenous content. Whereas during 2018-19, the product mix contains the products which have lower indigenous content.

All out efforts were put to indigenize the items which are being imported. All items being imported are taken up for indigenization.

Extra efforts are put up by BDL for top 20 items in terms of import value for indigenization. As on date, 14 items are already indigenized. Most of these items are explosives and are developed by reverse engineering with the help of HEMRL and OFB. Very few vendors manufacture these items in India. These items constitute major import content of BDL. BDL is importing items for which indigenous capacity is not sufficient to meet the requirements of Indian Armed Forces.

Indigenization of other items (like miniature bearings etc.,) is not economically viable as the quantity requirements are very low.

% of Indigenization completed by value in BDL products range from 78% to 99%, which is very high and efforts are underway to further increase the indigenization % in the products having lower indigenization.

MIDHANI: MIDHANI is manufacturer of super alloys, titanium alloys and special steel for strategic sectors like Defence, space and energy, the import content in these products are any of the raw materials such as Chromium Metals, Nickel, Titanium, Cobalt etc. is ranging from 20 to 30%. These raw materials and its mineral sources are not available in the country.

MIDHANI has developed several important materials which include special steels, super alloys and titanium alloys for strategic application like Defence, Space and Energy. The indigenous development of these materials has reduced the dependency of India on import from other nations. Some of the major development as import substitution are mentioned below.

- High-pressure compressor disc to HAL for Adour engine of Jaguar Aircraft

- Titanium sea water filters and high-pressure valves for nuclear submarine.
- Composite Armour for Mi 17 helicopter.
- Light weight body Armour product based on Bhabha Kavach
- High temperature super alloys Superni 617, Superni 740, Superfer 800L required for Advanced Ultra Supercritical Power Plants to be built in India.

MDL: MDL is in the business of construction of Naval Ships and Submarines where Major equipment are buyer (Navy) nominated. For remaining items / Equipment MDL is putting efforts to Indigenize the imported items/Equipment which will reduce the dependency on Import. For this purpose, MDL is taking following actions –

- ✓ MDL has set-up a dedicated Department of Indigenisation in Oct 2015 to boost and strengthen the indigenisation effort and to provide focused impetus to the Hon'ble Prime Minister's vision of "Make-in-India".
- ✓ Since setting up of a dedicated Indigenisation Department, items as listed below have been indigenised till date. The expected cost savings in FE to the exchequer, for the ongoing projects would work out to Rs. 456 Crores if procured, from these vendors as listed below: -

S No	Item/ Equipment	Earlier Source of Import	Now Indigenised by	Expected Cost Saving in FE (for 4-P15B & 7- P17A Ships)
1.	SICADS	M/s Smith, Germany.	M/S L&T, SEC Bengaluru & DRDE, Gwalior	17 Crores
2.	Bridge Window Glass	M/s Saint Gobain, Spain.	M/S Jeet&Jeet Glass Jaipur	22 Crores
3.	MCT Glands	M/s Roxtec, Sweden.	M/S Wallmax, Noida, Delhi	11 Crores
4.	Remote Controlled Valves	Thompson Valves, UK.	M/S DelValves, Satara, Pune	15 Crores
5.	Chladon Gas (for Magazine Fire Fighting System)	M/s ROE, Russia	M/s United Technologies, Gurugaon. M/s EKC, Mumbai.	99 Crores

6.	Ref Plants for Submarines	M/s SNORI, France	M/s ACCEL, Ahmedabad	1.5 Crores
7.	Battery monitoring System for Submarines	M/s Naval Group, France	M/s Precision Power	2.5 Crores
8.	Static Frequency Converter for Submarines	M/s Naval Group, France	M/s Precision Power	1.1 Crores
9.	Various HVAC items for Ships	M/s Axima, France	M/s SAF, M/s Del Valve, M/s Chamunda Valve	14.9 Crores
	Total Expected FE Savings			184 Crores

Moreover, the various items/equipment planned to be indigenised/being indigenised are as follows:

- (a) Magazine Fire Fighting System along with CFEES, DRDO.
- (b) RSS Screens for Ships.
- (c) Life Raft for Submarines.
- (d) PolyChloroprene Rubber Band/ Continuity Straps for submarines.
- (e) Battery loading trolley for SSK Submarines.

Although Indigenisation Dept. is taking all out measure on selective basis to indigenise the import equipment/ items/spares, reduction of import bill on substantial basis may be attained if technical specifications of requirements is determined at formulation stage by Customer, IN to promote indigenous sourcing. Further, we are also outreaching the vendors dealing with us to take advantage of 'Make in India' policy towards promoting indigenisation either by developing their own innovative technological products or by executing TOT with foreign partners

GRSE: Import Content of Value of Production (VoP) as on as to 31st Mar 2020.

Value of Production (VoP)	Direct Import	Value of Import Content from Domestic Suppliers	Indigenous Content	Percentage of Indigenous Content of VoP	Percentage of Import to VoP
(Rs. In Crore)	(Rs. In Crore)	(Rs. In Crore)	(Rs. In Crore)	%	%
1	2	3	4= 1-2-3	5= (4)/(1)*100	
2019-20 (up to 4th Quarter)					
1424.70	90.44	3.78	1330.48	93.39%	6.61%

Indigenization road map, including Make II process:- GRSE has identified items for development under indigenisation for next five years and furnished to DDP under five year indigenisation plan. This five year plan is also covering development of DAPS under Make II. The extract of Plan is given below:-

GRSE's 5 Year INDIGENISATION PLAN/ Yearwise Milestones for FY 2019-20 onwards

Till 15 Aug 2022	1-Year 2019-20	2-Year 2020-21	3-Year 2021-22	4-Year 2022-23	5-Year 2023-24
8 Nos.	Helo connecting gear for Rail less Helo traversing system for Advanced Light Helicopter Pole Mast of composite material for Project – P28	10T Telescopic Deck Crane Assault Bridge Double Lane Portable Steel Bridge	Data Acquisition and Processing System(DAPS) HP Air Fittings & Reducing Station Magazine Fire Fighting System for SVL	Window Wiper Telescopic Helo Hangar Magazine Fire Fighting System for ASW (SWC)	-

GSL: The import content of GSL for FY 2019-20 is as follows:

(Rs in crore)

Value of Production (VoP) (Provisional)	Import Content (Provisional)	% of Import Content to VoP
862	167	19.37%

Concerted efforts are being made by GSL to reduce the import content on every project being executed in the Yard. GSL has taken following measures to reduce import content for Shipbuilding projects:

(i) **Indigenisation ('Make in India' Policy):**

- GSL has adopted, introduced and promulgated Make in India (Outsourcing, Long Term Procurement & Vendor Development and Indigenization) Policy in October, 2015 to enhance the local content / indigenization through increased vendor / manufacturing base in Defence Shipbuilding Sector.
- **Purchase Preference Clause.** GSL has implemented Preference to Make in India 2017 and accordingly arranged Purchase Preference to Local Indian Manufacturers over Foreign Manufacturers. Further, GSL aligned Purchase Preference clause for indigenization in GSL tender enquiry for procurement under Buy Global Category (open as well as limited tenders) in line with MoD Order for Public Procurement (Preference to Make in India). Indian bidder quoting in INR with minimum 50% indigenous content (aggregate, over series of ships) will be eligible for preference upto 20% higher price.
- GSL aligned with MoD notifications for the items reserved for indigenization for surface ships in line with preference to Make in India Policy.
- **Make- II Procedure.** GSL has implemented Make – II Procedure in May, 2019 to encourage indigenous design, development and manufacture (IDDM) of defence equipment/weapon systems.
- **Framework for Placing Long Term Orders for Indigenization.** GSL adopted framework for Placing Long Term Orders for Indigenization in line with MoD letter dated 15.11.2019.

- Proactive steps are being taken by the Company for involvement of local industries for having maximum indigenous content in projects to meet the objective of self reliance.

(ii) **Modernisation of Yard.** GoI has funded the modernisation of GSL yard to enhance GSL capabilities and infrastructure capacity. Infrastructure Modernisation plan is being implemented in phases of which phase 1, 2 & 3A have been completed. Implementation of balance phases (Phase 4 & 3B) are in progress. On completion of Modernisation plan, GSL will have the capability to build high technology Glass-Fibre Reinforced Plastic (GRP) vessels indigenously with the help of foreign technology provider.

(iii) **In-house Design Facility.** GSL has its own in-house design facility which is recognized by Department of Scientific and Industrial Research. Indigenous in-house designs are developed for the Indian Navy and Indian Coast Guard. Offshore Patrol Vessels and Fast Patrol Vessels developed indigenously were delivered to Navy and Coast Guard. The in-house design facilities are being constantly upgraded for meeting increased indigenous design requirement.

(iv) **Award of Project 1135.6.** Under Make in India initiative, GSL has been entrusted with indigenous construction of 02 follow-on ships of Teg class (P 1135.6) and the contract was signed on 25 Jan 2019 with the Indian Navy. The execution of this project will result in developing indigenous capability in construction of high-tech Naval ships, which are hitherto being acquired from foreign countries. Many major items have been identified for indigenisation. It is likely to achieve 60-70% Indigenization content, which will be significant improvement against 02 ships being imported from Russia. With such large indigenous content, the dependency on Russian firms for spares and services support would reduce drastically.

(v) The ongoing 05 CGOPV project in GSL has been indigenized under 'Make in India' initiative of GoI and indigenous content has increased from 60% to 70% in the ongoing 05 CGOPV Project, compared to the previously built 06 CGOPV Project. Gear Boxes, Steering Gear System, Fin Stabilizer System, Steel Plates, Doors & Hatches, Gemini Boats, Heli Grid etc. have been indigenized through outsourcing to local industries.

(vi) **Mine Counter Measure Vessel (MCMV).** GSL has been nominated for construction of MCMVs for the Indian Navy with hull made of composite material. Ships of this class would be built in the Country for the first time and it is envisaged to seek technology from shipyard having experience of building such vessels. Technology absorption in this process will provide self reliance in this rare technology and elevate GSL as one of the few shipyards in the world capable of making state-of-the-art MCMVs with composite material for requirements of defence forces.

(vii) As a result of implementing indigenization, which is a part of 'Make in India' initiative, a saving of valuable foreign exchange and procuring import substitute assemblies have been achieved. Gradually with this increasing of indigenization levels and manufacturing with partnership of local industrial units as per "Make in India" policy, the import content requirement for shipbuilding project will be reduced.

(viii) GSL has also signed/entered into MoUs/Collaboration agreements with the following foreign firms to jointly manufacture defence platforms/equipment:

- (a) M/s. Naiad Dynamics Ltd., UK for indigenous manufacture and assembly of Steering Gear and Fin Stabilisers.
- (b) M/s. FHS, Germany for indigenous manufacture of Heli Landing Grid, Traversing System and Hanger doors.
- (c) M/s. DCNS, France (now Naval Group), for setting up advanced Submarine Escape Training Tower (SETT), IPMS Simulator and Combat Management Simulator for Submarines for the Indian Navy.
- (d) M/s. Wartsila, France to indigenously manufacture and supply of CPP Stern Gear for ships built for the Indian Navy and Coast Guard, etc.

(ix) GSL has been making efforts to seek domestic as well as export orders for its products and services and other diversified projects. In order to explore the export and domestic business opportunities and jointly develop the products and then market and secure orders for the same, GSL decided to tie-up with reputed organizations and utilize the combined capabilities and synergies of each other for mutual benefit. During the 'BANDHAN' Ceremony at DEFEXPO-20 Exhibition held in Lucknow, GSL has signed the MoUs with L&T Ltd., Mumbai and BEL, Bengaluru for co-operating in promotion of Defence Exports; BEL, Bengaluru, to explore and address Projects/Products by using Composite materials/Technology and with NBCC (India) Ltd. for collaboration in PMC and execution of civil construction projects.

HSL: Indigenisation is being promoted by HSL by avoiding imported equipment and sourcing equipment / machineries from domestic vendors wherever feasible and permitted. Import content as a % of VoP achieved during the last 5 years is tabulated below.

Year	VoP (Rs Cr)	Value of imported materials consumed during the year (Rs Cr)	Import content as a % of VoP
(1)	(2)	(3)	(4) = [(3)/(2)]*100
2014-15	294.16	99.52	33.83
2015-16	593.29	159.63	26.91
2016-17	629.05	65.18	10.36
2017-18	644.78	72.84	11.30
2018-19	594.91	92.04	15.47
2019-20 (Prov.)	563.33	110.00	19.53

The list of items being imported and 5 year Indigenisation Plan through import substitution / MAKE II (tabulated below) has been prepared.

S No.	Year	Methodology	Item / Equipment	Amount (Rs Cr)
1	2019-20	Import Substitution	Dynamic Positioning System	7.00
2	2020-21	MAKE-II	Pneumatic Quick Closing valves	0.20
3	2021-22	MAKE-II	Flight Deck safety net system	2.00
4	2022-23	MAKE-II	Air vent hoods of NW300 & above sizes	0.15
5	2023-24	Import Substitution	Fire class / Gas tight doors	1.00

Further, the items above has been taken up with Indian Navy /Directorate of Indigenisation. Draft technical specification for the two items have been prepared and being refined as user acceptance trials of the two items (procured from foreign OEMs) installed on a ship due for delivery in 2020 are in progress and is likely to be completed by mid-2020. The technical observations made by Indian Navy user acceptance team during the trials are being examined and incorporated into the technical requirements that would form part of the EoI. The EoI is expected to be issued in the month of Aug 2020 depending upon the inputs required from vendors which is delayed due to COVID issues.

Further, following efforts have been made by HSL in order to harmonize Defence Procurements with the 'Make in India's initiative.

- (a) Provisions contained in 'Public Procurement (Preference to Make in India), order 2017', issued by DPIIT, Ministry of Commerce and Industry, have been incorporated in Purchase Manual for implementation.
- (b) MAKE-II Procedure has been incorporated in the Purchase Manual in order to indigenize imported items through development of prototype.
- (c) Relaxation of norms (prior experience and prior turnover) for MSMEs and start-ups in all public procurements, subject to meeting quality and technical specifications.
- (d) Alignment to payment terms i.e; provision of advance payments to MSMEs.
- (e) Deemed registration of vendors (Vendors registered in other Defence PSUs are to be considered as deemed Registered).
- (f) Efforts are being made to identify Tier-I & Tier-II Vendors so as to facilitate development of import substitutes.
- (g) 'Make in India' Portal has been created in the HSL Website to attract vendors. The contact details of Nodal Officer have been provided in the portal. The list of items which are hitherto being imported are displayed on the website with an intent to Indigenise.
- (h) With a view to familiarize the Vendor, a special link 'Information to Vendors' has also been incorporated in the HSL portal, which provides information like Guidelines for vendor registration, commercial questionnaire for indigenous and foreign suppliers, HSL Standard business terms & conditions, List of items imported to be Indigenised, materials, equipment & works, HSL Manual on procurement of materials and services, MSMEs – List of items reserved for purchase from small scale industries, Vendor registration form – Supplier ,Vendor registration Form- Contractor etc.
- (i) A direct link to the Make in India Page of Government of India (<http://www.makeinindia.com>) has also been provided in the portal.

Defence Investor Cell

Recommendation No. 27:

The Committee were apprised about the new initiatives taken by the Ministry of Defence to promote Defence production in the country where in a Defence Investor Cell (DIC) was set up by the Department of Defence Production in January 2018 to provide all necessary information including addressing queries related to investment opportunities, procedures and regulatory requirements for investment in the sector. One more positive initiative by the Ministry is the Export Promotion Cell which has been setup to co-ordinate and follow-up on export related action including enquiries received from various countries and facilitate private sector and public sector companies for export promotion. The Ministry has also apprised that Department of Defence Production has launched a 'Make in India' Portal 'makeinindiadefence.gov.in' where information related to all the major policies initiatives taken by the department to promote indigenous defence manufacturing is made available for easy dissemination to the industry. The Committee also welcome the move of the Government to establish two 'Defence Industrial Corridors' to serve as an engine of economic development and growth of Defence industrial base in the country. They span across Chennai, Hosur, Coimbatore, Salem and Tiruchirappalli in Tamil Nadu and spanning across Aligarh, Agra, Jhansi, Kanpur, Chitrakoot and Lucknow in Uttar Pradesh (UP). The details of the same have been enumerated in the narration portion- Part I of the report.

Reply of the Government

The observations of the Committee are factual in nature and hence no comments are offered.

DEFENCE PLANNING

FIVE YEAR DEFENCE PLANS

(Recommendation No. 28-30):

Recommendation No. 28

The Committee note that the Defence Five Year Plans are formulated to elaborate the necessary steps to maintain and augment Defence capabilities in line with the RM's Operational Directive, the Long Term Perspective Planning and the current threat perception. These plans help to estimate the outlay required to achieve the planned objective. The Ministry also stated that under these Five year Plans operational activities are done within the available budget allocations and while allocated funds are optimally and fully utilized, the schemes are reprioritized to ensure that urgent and critical capabilities are acquired without any compromise to operational preparedness of the Defence Forces.

Recommendation No. 29

The Committee in their earlier Reports have been recommending the Ministry to adopt measures for full proof budgetary planning and implementation. The Committee are surprised to know that the 12th Plan was approved by the RM but the Ministry of Finance, however, did not

approve the Plan. While formulating the guidelines for the 13th Defence Plan it was decided that the Plan may be sent to Ministry of Finance only for information and not for its approval. The Ministry of Finance will be kept in loop about the requirements of the Defence Forces in the coming years. The Committee also note from the replies submitted that on approval of the Defence Plan does not act as hindrance in implementation of Defence projects. Activities planned are likely to proceed according to available annual budget allocations and the Defence Plan serves only as a guide for formulating annual budgetary projections even without the formal approval of the Ministry of Finance.

Recommendation No. 30

In the 12th (2012-17) plan, the Ministry was able to spend Rs. 10,55,763.75crore out of Rs. 10,95,262.55 allocated. However, in the annual plans, during the plan period of the 13th Plan, the allocated amount is always less than the projection. In the year 2017-18, against the projection of Rs. 3,23,217.10crore, only Rs. 2,59,261.90 crore was allocated. In year 2018-19, against the projection of Rs. 3,95,851.34crore, only Rs. 2,79,305.32 crore was allocated. In the year 2019-20, against the projection of Rs. 4,05,784.84crore, only Rs. 3,05,296.07 crore was allocated. Similarly, in the year 2020-21, against the projection of Rs. 4,30,130.70crore, only Rs. 3,23,053.00 crore was allocated. While gleaning through the data supplied, the Committee note that the Ministry was able to spend allocated amount in full. Therefore, the Committee desire that the Ministry of Finance should desist from any cut in the financial allocations in annual plans, especially when the Ministry of Defence is able to absorb allocated amount. The Committee are of the view and accordingly recommend that the Ministry of Defence should also formally get their plans approved by the Ministry of Finance since they have an obligation to fulfil.

Reply of the Government

It is submitted that non-approval of the Defence Plan does not act as hindrance in implementation of Defence projects. Activities planned are likely to proceed according to available annual budget allocations. The Defence Plan serves only as a guide for formulating annual budgetary projections even without the formal approval of the Ministry of Finance.

2. Further, Government has set up a Defence Planning Committee (DPC) to facilitate comprehensive and integrated planning for defence matters. The DPC is a permanent body under the chairmanship of the National Security Adviser (NSA). The DPC comprises of the Chairman, Chief of the Staff Committee (COSC), the Service Chiefs, Defence Secretary, Foreign Secretary and Secretary (Expenditure), as members.

3. The DPC analyses and evaluates all relevant inputs relating to defence planning, inter-alia, national defence and security priorities, foreign policy imperatives, operational directives and security related doctrines, defence acquisition and infrastructure development plans, including the 15-year Long Term Integrated Perspective Plan (LTIPP), defence technology and development of the Indian defence industry and global technological advancements.

Long Term Integrated Perspective Plan (LTIPP)

Recommendations No. 31:

The Committee note that the headquarters Integrated Defence Staff (HQIDS), in consultation with the Service Headquarters (SHQs), had evolved the 15 year Long Term Integrated Perspective Plan (LTIPP). Presently, LTIPP 2017-2027 is in vogue and has been approved by the Defence Acquisition Council. Proposals for acquisition of capital Assets flow out from the Defence procurement Planning process which covers the 15 year LTIPP, 5 year Services Capital Acquisition Plan (SCAP) and Annual Acquisition Plan (AAP). The LTIPP is translated into the SCAP, covering a five year period. The AAP of each service is a two year roll on plan for capital acquisition and consists of the schemes from the approved five year SCAP. Thus, the long term plan (LTIPP) gets finally translated to short term plan (AAP) and the cases included in the AAP are progressed for acquisition as per the Defence Procurement Procedure. Progress of procurement cases is regularly reviewed in SHQ and MoD. Amendments are made to the DPP, as and when required, to streamline the simplifying Defence Procurement Procedure and to give a boost to 'Make in India' initiative of the Government of India, by promoting indigenous design, development and manufacturing of Defence equipment, platforms, systems and sub-systems. The Committee, therefore, recommend that more impetus should be given with adequate budgetary support for successful and efficient completion of LTIPP, SCAP and AAP.

Reply of the Government

The realization of the projections included in LTIPP on ground is through the 5 year Defence Plans. The XII Defence Plan for the period being 2012-17, being the first sub-set of LTIPP (2012-27) has already completed and currently implementation of projects under the XIII Plan recommendations is in progress.

Acquisition Plans are linked with budget availability. Based on the budgetary trends of last 3 years, projections are made to Ministry of Finance in the beginning of the year. These are revised at the RE stage depending upon the outgoes and the committed liabilities pending for balance part of the year. In the Acquisition Plans, the schemes are reprioritised based on the available resources envelope and operational expediencies.

Advance planning for the Force

Recommendations No. 32:

The Committee understand that Capital procurement of defence equipment is undertaken from various domestic as well as foreign vendor based on operational requirements of the Armed Forces, the availability or capacity to produce the equipment in India and abroad and to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. During the last four financial years (2015-16 to 2018-19), 135 contract have been signed with Indian vendors and 75 contracts have been signed with foreign vendors for procurement of defence equipment for Armed

Forces. The defence equipment contracted during this period includes helicopters, missiles, Bullet Proof Jackets, aircrafts, rifles, artillery guns, simulators and ammunition. The Committee, at this stage, can only recommend that the Ministry should make all out efforts for fructification of contracts signed and necessary allocations should be made for it.

Reply of the Government

The Capital Acquisition schemes are planned and prioritized to optimally utilize the allocated budget. Budgetary allocation requests are forwarded to Ministry of Finance at BE/RE stages to meet the fund requirements/projections of the Armed Forces towards modernisation.

Recommendation No 36:

During the oral evidence, when the deliberations on the deficiency of dwelling units was taking place, it was informed that the ranks and officers who are in the combat wing of the Armed Forces, suffer the most as they spend larger part of their service in the field or difficult areas. The committee after contemplating over the issue, view that for such ranks and officers, dwelling units should be constructed near the Regimental Centres or other Military Establishments, so these centers can look after the families of soldiers in their absence and ranks and officers can be free from any worry about well being of their families. At other places priority allocation of Dwelling Units for Combat Forces should be made. The committee welcome this idea and accordingly recommend that as a consequentialment of such arrangement, our Armed Forces Officers would be in a far better position mentally and physically to serve their nation.

Reply of the Government

Dwelling Units are constructed in the various stations based on the authorization and deficiency of Married Accommodation of the station. The Field Area Family Accommodation for the families of officers and men posted to field areas are also earmarked in all the stations based on the requirements and respective Station Headquarters are responsible to look after these families.

CHAPTER II (B)

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT AND COMMENTED UPON

CAPITAL OUTLAY ON DEFENCE SERVICES

(Recommendation No. 1-3):

Recommendation No. 1

The Committee note from the information submitted by the Ministry that Capital Outlay provides allocation for Land & Construction Works of the three Services and other departments. In other words, it caters for the expenditure incurred on durable assets of Defence Services, i.e., Army, Navy, Air Force, Joint Staff, Defence Ordnance Factories, Defence Research & Development Organisation (DRDO), Director General Quality Assurance (DGQA), National Cadet Corps (NCC), Married Accommodation Project, National Defence Academy and Rashtryia Rifles etc.

Recommendation No. 2

The Committee further note that during the year 2020-21, the Ministry allocated Rs. 1,13,734.00 crore in the Capital Budget head against the projection of Rs. 1,75,702.06 crore, which amounts to the shortage of Rs.61,968.06 crore. Out of this head for the Services only Rs. 1,02,432 crore was allocated against the projection of Rs. 1,61,849.20 crore, leaving a gap of Rs. 59,416.63 crore. Similarly, the Capital (Acquisition including DGOF Supplies) is allocated Rs. 90,047.80 crore, Land & Works of three Services (including Married Accommodation Projects) Rs. 12,384.77 crore, DRDO, DGOF and other Defence Departments Rs. 11,301.43 crore.

Recommendation No. 3

The Committee are of the view that the considerable shortage in the allocation of the budget in the Capital Head, which is 35 per cent less the projection, would affect acquisition of latest weaponry, aircraft, ships, tanks and capital intensive projects including land, building and other infrastructure. The Committee feel and desire that to develop, and acquire the most modern state-of-the-art fighting platforms, which can match Northern and Western neighbours, the requisite allocation to the Capital Head is very essential. While approving the allocations for the Defence Budget, the Ministry of Defence should take up the matter with the Ministry of Finance explaining them the importance of capital works which become made done to maintain the ideal ratio of 60:40 between the Revenue and Capital Heads. At this stage, the Committee can only recommend that the requisite funds under the Capital Head be allocated to the Ministry at the Supplementary Grants stage.

Reply of the Government

In BE 2020-21, an amount of Rs. 1,13,734.00 Crore (i.e. an increase of Rs. 10,339.69 Crore over BE 2019-20) has been allocated under Defence Services Estimates in Capital Head by Ministry of Finance against projections of Rs. 1,75,702.06 Crore. Additional requirements will be assessed under Capital Head and will be sought from Ministry of Finance at Supplementary/RE stage.

(Comments of the Committee. Please see Para No.10 of Chapter I.)

Additional Allocation

(Recommendation No. 5-6):

Recommendation No. 5

The Committee highlighted in their 3rd Report (17th Lok Sabha) that against projections of Rs. 1,70,936.07 crore under Capital Head, only Rs. 1,03,394.31 crore were allocated. In this context, the Ministry was asked to state the steps taken in overcoming the shortfall. The Committee note from the reply submitted by the Ministry that Ministry of Finance had not allocated requirements projected by this Ministry under Capital Budget for FY 2019-20, nevertheless, Capital Expenditure of the Ministry had gone up in absolute terms. It may be relevant to point out here that under Capital Head there was trend of cut in Budget Allocation at RE stage due to slow pace of expenditure. This trend was reversed in FY 2017-18 and 2018-19 due to extensive delegation of financial powers. The allocated Capital Budget has been fully utilised since 2016-17, reversing the previous trends of surrender of funds. In the current financial year, based on pace of expenditure Ministry of Finance has allocated additional amount of Rs. 7,000 crore under Capital Head in RE 2019-20.

Recommendation No. 6

The Committee are surprised over the fact that during the year 2019-20, the short fall in the projection to allocated amount was Rs. 67,541.76 crore, however, the Ministry of Defence is convinced with additional allocation of meagre Rs. 7,000 crore. The Committee, therefore, in unequivocal terms recommend that all-out efforts should be done to give first and foremost priority to the preparedness of the Defence Forces. It should be ensured that critical requirements of Services do not suffer due to want of funds. The Committee also hope that the Ministry of Defence will take measures for timely expenditure of the allocated fund so additional fund can be sought from the Ministry of Finance at Supplementary Grants stage.

Reply of the Government

The operational preparedness of the Defence Forces is the first and foremost priority of this Ministry. All out efforts are made to ensure that critical requirements of Services do not suffer due to want of funds. Necessary instructions are issued from time to time for adherence to financial propriety and avoidance of underutilization of funds/wasteful expenditure.

2. The Committee is assured that all efforts will be made to ensure optimum utilization of scarce resources. Based on progress of expenditure, pending committed liabilities etc., additional funds will be sought from Ministry of Finance at appropriate stage(s).

Comments of the Committee. Please see Para No. 14 of Chapter I.

CHAPTER III

**OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE GOVERNMENT'S REPLIES.**

-NIL-

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION AND TO BE COMMENTED UPON.

Married Accommodation Project

Recommendation No 33:

The Committee note that Directorate General of Married Accommodation Project (DG MAP) was raised by Government of India under the aegis of Engineer in Chief to construct married accommodation for the three services, with the aim of eradicating the deficiency of married accommodation for service personnel. The MAP was setup to fulfill the promise made to the Armed Forces by the Government of India. The total deficiency of two lakh dwelling units have been slated for construction in four phases. After construction of dwelling units over the time period, at present, there is a deficiency of 70,432 dwelling units in respect of Army and 670 in respect of Air Force.

Reply of the Government

The overall progress of MAP at present across all phases are as under :-

<u>PH</u>	<u>STNS</u>	<u>DUs</u>	<u>COST (IN CR)</u>	<u>OVERALL PROG</u>
I	86	57,875	6,032.70	100%
II	157	69,904	13,681.90	94%
III	A	13	7,259.38	DPR for eight packages are under progress
	B	145	16,020.32	
Total	401	1,98,881	42,994.30	1,15,267 of 1,27,779 DUs(90.20%) completed till date

The total deficiency of two lakh dwelling units had earlier been slated for construction in four phases. However the third and fourth phases of MAP were amalgamated to complete the entire requirement in three phases. Accordingly planning of MAP Ph III was sanctioned for 71,102 Dwelling Units. However, due to non availability of funds it was decided to undertake construction of Ph III in two parts and activity was restricted to 24,592 Dwelling Units. In accordance with the directions,

planning of MAP Ph III has commenced at 13 locations (08 packages) and the DPR for the same are in advanced stage of completion. The present MAP PH III can thus be treated as MAP Ph III 'A' and the left over Dwelling Units can form part of MAP Ph III 'B'. The Ministry is contemplating alternative sources for funds for the project.

The present impetus towards modernization of requirements of defence services, does not allow adequacy of funds for MAP Phase-III. The Government is therefore, contemplating to take up some DUs based on the NBCC's model as a pilot project. The draft CCS Note on MAP for commencement of MAP Phase III will be processed after finalization of the DUs under NBCC's model on pilot basis by carrying out subsequent changes in the number of DUs to be taken up through the MAP route and the estimated cost etc.

(Comments of the Committee. Please see Para No. 21 of Chapter I.)

CHAPTER V

Observations/Recommendations In respect of which Government have furnished interim replies.

Modernization of Defence Forces

(Recommendations No. 9 &10):

Recommendations No. 9

From the replies submitted by the Ministry, the Committee note that the modernization involves the acquisition of new state-of-the-art platforms, technologies and weapon systems to upgrade and augment Defence capabilities and it is a continuous process based on threat perception, operational challenges and technological changes to keep the Armed Forces in a state of readiness to meet the entire spectrum of security challenges. As per the assertion of the Ministry, the Government attaches the highest priority to ensure that the Armed Forces are sufficiently equipped to meet any operational requirement. This is achieved through induction of new equipment and technological upgradation of capabilities. The equipment requirements of the Armed Forces are planned and progressed through a detailed process which includes 15 Year Long Term Integrated Perspective Plan (LTIPP), a five year service-wise capability Acquisition Plan, a two year roll-on Annual Acquisition Plan and deliberations by the defence Acquisition Council Chaired by the Raksha Mantri.

Recommendations No. 10

The Committee appreciate the various measures taken by the Government to modernize our forces i.e. opening up of the Defence Industry sector for Indian private sector participation, with Foreign Direct Investment (FDI), notification of the Strategic Partnership (SP), Model which envisages establishment of long term Strategic Partnership with Indian entities wherein they would tie up with global Original Equipment manufacturers (OEMs) to seek technology transfers to set up domestic manufacturing infrastructure and supply chain etc. However, the Committee feel that it is in fitness of things that first of all adequate allocation be made in the Capital Budget so that procurement of new equipment and upgrading of existing equipment and systems can take place in a seamless manner. The Committee accordingly recommend that the more impetus should be given to promote indigenous design, development and manufacture of Defence & aerospace equipment in the country under 'Make in India' by modernization, capacity development of the Defence sector also take place.

Reply of the Government

Defence Procurement Procedure (DDP), 2016 is currently under revision towards promulgation of DPP, 2020. Enhancement of Indigenous Content and further 'Support to Make in India' initiative are some of the highlights of the proposed DPP, 2020. Incentives have also been proposed to promote sourcing from local/indigenous vendors. Some of the proposals for providing further impetus to the indigenous defence manufacturing are mentioned below:-

- (a) New categories are being added to boost indigenization, viz.; Buy (Global-Manufacture in India) and Leasing (Indian).
- (b) Indigenous content requirements are being enhanced under various acquisition categories.
- (c) Provisions for Innovation, iDEX and open competition have been introduced for MSMEs and Start-ups.
- (d) Special sections/ provisions have been added to source military materials locally.
- (e) Utilization of indigenous software has been proposed.
- (f) Aero-engines and FAB (Facilities manufacturing Silicon Wafers) to be taken up as projects of national importance through indigenous source.
- (g) Incentives for MSMEs are being introduced.

2. As regards allocation of adequate Budget, it is submitted that this Ministry proposes projections made by the Services to Ministry of Finance for favourable consideration. Ministry of Finance conveys ceilings, based on which funds are allocated to Services/ Organizations depending on trend of expenditure, projections made by the Services, committed liabilities to be fulfilled etc. Every effort is made to ensure that no project/ proposal is shelved for want of funds.

(Comments of the Committee. Please see Para No.18 of Chapter I.)

Non Lapsable Defence Modernisation Fund – Defence Renewal Fund

Recommendation No. 11:

The Committee in their various previous reports have recommended making Capital Budget 'Non-lapsable' and 'Roll-on' in nature. The Ministry was consequently asked to convey the current status of the same. The Ministry of Defence apprised the Committee that the matter of creation of 'Non-lapsable Capital Fund Account' was taken up with M/o Finance and the same was not agreed to by M/o Finance. Further, Hon'ble Finance Minister had written to the then Hon'ble Chairman of the Standing Committee on Defence requesting therein to consider following the present mechanism of authorisation of budget from Parliament on Annual basis, which is simple and working well currently. The Committee note that the matter of creation of non-lapsable Defence Modernisation Fund is being taken up again with Ministry of Finance. However, the Committee were apprised during the oral evidence, that for Capital Acquisitions and border infrastructure, there is a need to create Defence

Renewal Fund. Therefore, the Committee recommend the Ministry to take up the matter at higher levels for creation of Defence Modernisation Fund – Defence Renewal Fund so that procurement can be done unhampered without pursuing for funds to receive at Supplementary or Additional Grants stages.

Reply of the Government

A draft Cabinet Note for creation of Non-lapsable Defence Modernization Fund has been prepared and is under consideration of Ministry of Finance and 15th Finance Commission. The draft Cabinet Note is presently under inter-ministerial consultation.

Defence Procurement Policy

Recommendations No. 14:

The Committee find that the policy for procurement of Defence equipment for the Armed Forces aims to ensure timely procurement of military equipment, systems and platforms as required by the Armed Forces in terms of performance capabilities and quality standards, through optimum utilization of allocated budgetary resources, The policy also seeks to ensure that the highest degree of probity, public accountability, transparency, fair competition and level-playing field are achieved in the process of procurement. In addition, self-reliance in Defence equipment production and acquisition is steadfastly pursued as a key aim of the policy. The policy is implemented through the mechanism of Defence Procurement Procedure (DPP). During the oral evidence, the Committee were apprised that the Procedure has been revised in 2002, 2005 and six times during 2005 to 2016. During oral evidence, the Committee came to know that the Acquisition process includes Approval of Annual Acquisition Plan (AAP), Acceptance of Necessity (AoN), issue of Request for Proposal (RFP), Technical Evaluation & Approval Trials, General Staff Evaluation & Approval, Contract Negotiation Committee (CNC), Competent Financial Authority (CFA) Approval, Contract Conclusion and Post Contract Management. The Committee are hopeful that new Defence Procurement Procedure, which is going to be implemented soon, will make the procedure fast track and the Services will get assured supply of arms, equipment and ammunition in time.

Reply of the Government

A number of amendments are being proposed in the Revised DPP 2020 to remove procedural bottlenecks and hasten defence acquisitions. Some of these are highlighted below:

SIMPLIFYING PROCEDURE

Acceptance of necessity (AoN)

- Single stage approval of AoN except DAC cases (>500 crore)
- Time frame laid down for obtaining AoN(one year from receipt of RFI responses)

Request for Proposal (RFP)

- RFP & Standard Contract Document aligned.
- Guidelines included to ensure correct formulation
- Detailed Trial Methodology.

Guidelines and flowcharts included to facilitate decision making by Users at various stages.

Repeat Order

- Single stage accord of AoN by the according authority
- No FET, limited validation, if required

CONDUCT OF FIELD EVALUATION TRIALS

- Trials with an objective to nurture competition, not as a process of elimination
- User Trial by specialised agencies i.e. Trial Wings
- Document/certification over physical trials.
- More opportunities for in situ repairs/modifications during trials.

QUALITY ASSURANCE ASPECTS

- QA Plan (to include rejection criteria & sample size) as part of RFP.
- Draft Acceptance Test Procedure submitted by all vendors, finalised in DGQA Evaluation.
- No overlap of evaluation in Pre Dispatch Inspection (PDI) & Joint Receipt Inspection (JRI).
- Third Party Inspection permitted for acceptance.

Recommendation No. 24:

While appreciating that the Defence Offset Monitoring Wing is effectively discharging its duties, the Committee recommend the Ministry to follow the best international practices as the scope of Offset has been increased from Rs. 300 crore to Rs. 2,000 crore. The Ministry should also try to establish some import substitute products industry while discharging the 30 per cent offset obligation.

Reply of the Government

In the Defence Offset Guidelines, which has been promulgated as part of Draft Defence Procurement Procedure (DDP) 2020, The following reforms have been done:

- (i) The thrust of draft Guidelines is to have enabling provisions to attract investment and technology.
- (ii) It is expected to enhance capability in the domestic defence manufacturing sector and promote 'Make in India' initiative.
- (iii) Investment in defence manufacturing including in Defence Industrial Corridor could be through FDI.
- (iv) The eligible defence products have been streamlined to ensure high technology based on investments through offsets.
- (v) To incentivise transfer of technology to Indian industry/ DRDO/ OFB/ DPSUs and to attract direct investment, higher multipliers have been provided.
- (vi) Higher preference has been given for purchase of defence products as compared to components.
- (vii) Investments have been incentivised through higher multipliers:
- (viii) Discharge of Offset obligations through entities other than vendor/Tier-I sub-vendor has been envisaged for investments/Transfer of Technology on case to case basis.
- (ix) Flexibility to provide details of products and Indian Offset Partners (IOPs) at later stage even after signing of contract.

Married Accomodation Project

Recommendation No 34:

As the budget constraints are always there in Capital intensive projects like MAP, therefore, a suggestion was floated during deliberations while examining Demands for Grants that a model may be developed by the MAP on the lines of NBCC in Delhi. In this model, land of the MAP may be utilised by housing construction organisations for equal value so that there would be no burden on the budget of Ministry of Defence. This suggestion as brought before the Committee is evidently in its nascent stage. However, this model is successful in Delhi, but due care and caution has to be taken before implementing it in sensitive areas like Defence Establishment where safety and security of the officers and their families are of paramount importance than the savings in terms of money. Therefore, the Ministry, after weighing all pros and cons, may develop this proposal any further.

Reply of the Government

DG MAP has been raised and mandated by Government of India to construct married accommodations for three services with an aim to eradicate the deficiency as calculated during the year 2002. MAP Dwelling Units are being constructed on A1 Defence land already identified by services and is funded through OTCA budget under Capital Head. Suggestion of creating defence infrastructure projects by generating corpus by asking 'Equal Value Infrastructure' in lieu of defence land was deliberated during examination of Demand for Grants to ease the burden on budget of MoD. The suggestion has potential to effectively tide over the shortage of funds as faced during Ph-III. The

Ministry would look into all aspects carefully before adopting the NBCC Model or Equal value Infrastructure.

Recommendation No 35:

The committee note that due to reduced budgetary allocation many constraints are being faced by the MAP i.e. Low satisfaction level, delay in commencement of MAP Ph III, delay in execution of MAP Ph III, cost escalation of MAP Ph III. Even after completion of DPR for 8 packages of MAP Ph III, work could not commence. In 2002, against the authorisation of 4,40,111 dwelling units, held units were 1,97,506 in respect of Army. For Navy, out of authorisation of 31,252 dwelling units, held strength were 18,800. For Air Force out of authorisation of 75,775 DUs, held strength was 31,776 units. MAP constructed 94,920 units for Army till date, 5,829 units for Navy and 13,630 units for Air Force but the satisfaction level remained quite low at 66%, 79% and 60% in respect of Army, Navy and Air Force respectively by 2019. The ministry are hopeful that after construction of additional units it would reach at 85%, 100% and 73% for Army, Navy and Air Force respectively. The committee, therefore, recommend that till the time new 'Equal Value Infrastructure' is finalised, additional allocation sought by the MAP should be provided as it is devoid of Rs.2,180 crore in 2019-20, which would affect the pace of construction of dwelling units.

Reply of the Government

DG MAP after incorporating lessons of two phases is poised to develop integrated, self sustaining, aesthetically landscaped mini townships conforming to eco friendly and energy efficient green norms. 71,102 Dwelling Units are to be constructed in MAP Ph III where Army is the major stake holder as 70,432 Dwelling Units are to be constructed for them. The competent authority has approved distribution of work load between DG MAP and MES with a ratio of 55% and 45% respectively. A major portion of these are planned to be constructed using modern construction technology (Pre cast or Shear Wall). Due to limited availability of funds for Army, Army authorities have conveyed the decision to restrict the planning for MAP Phase III to 24,592 Dwelling Units only. In accordance with these directions, planning for MAP Phase III has commenced at the following eight locations :-

Ser No.	Stations	No of Dwelling Units	Technology
(a)	Delhi & Gurgaon	4045	Precast Construction
(b)	Meerut	1798	Shear Wall
(c)	Chandimandir, Amabala & Patiala	6783	Precast Construction
(d)	Panagarh	1809	Shear Wall
(e)	Dehradun	4407	Shear Wall

(f)	Jaisalmer	1915	Conventional
(g)	Pune, Kirkee & Dehu Road	1950	Shear Wall
(h)	Bangalore	1885	Shear Wall

The proposal for MAP Phase-III is under consideration. The MoD is contemplating alternative sources for funds for the project. The present impetus towards modernization of requirements of defence services, does not allow adequacy of funds for MAP Phase-III. The Government is therefore, contemplating to take up some DUs based on the NBCC's model as a pilot project. The draft CCS Note on MAP for commencement of MAP Phase-III will be processed after finalization of the DUs under NBCC's model on pilot basis by carrying out subsequent changes in the number of DUs to be taken up through the MAP route and the estimated cost etc.

New Delhi;
15 March, 2021
24 Phalgun, 1942 (Saka)

JUAL ORAM
Chairperson
Standing Committee on Defence

STANDING COMMITTEE ON DEFENCE (2020-21)

**MINUTES OF THE SEVENTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2020-21)**

The Committee sat on Tuesday, the 09 March, 2021 from 1500 hrs. to 1530 hrs. in Committee Room No. 'C', Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM

-

CHAIRPERSON

MEMBERS

LOK SABHA

- 2 Shri Devusinh Jesingbhai Chauhan
- 3 Shri Nitesh Ganga Deb
- 4 Shri Annasaheb Shankar Jolle
- 5 Choudhary Mehboob Ali Kaiser
- 6 Shri Kapil Moreshwar Patil
- 7 Shri Anumula Revanth Reddy
- 8 Shri Jugal Kishore Sharma
- 9 Shri Prathap Simha
- 10 Shri Brijendra Singh
- 11 Shri Kotagiri Sridhar
- 12 Shri Durga Das Uikey

RAJYA SABHA

- 13 Dr. Ashok Bajpai
- 14 Shri Sanjay Raut
- 15 Shri Rajeev Satav
- 16 Dr. Sudhanshu Trivedi
- 17 Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

1. Smt. Kalpana Sharma - Additional Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

2. At the outset, Hon'ble Chairperson welcomed the Members of the Committee and gave a brief on the following six reports to be adopted during the meeting and also solicited their suggestions :-

- (i) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen and Defence Pensions (Demand Nos. 18 and 21)';
- (ii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Army, Navy, Air Force, Joint Staff, Military Engineer Services, Ex-Servicemen Contributory Health Scheme and Sainik Schools (Demand Nos.19 and 20)';
- (iii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)';
- (iv) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance, and National Cadet Corps (Demand Nos. 19 and 20)';
- (v) Action Taken by the Government on the Observations/Recommendations contained in the Third Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2019-20 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'; and
- (vi) Action Taken by the Government on the Observations/Recommendations contained in the Seventh Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2020-21 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'.

3. However, some members requested Hon'ble Chairperson for some more time to study the Reports. As per consensus arrived at in the meeting, Hon'ble Chairperson postponed the meeting to 15.03.2021 (Monday).

4. Hon'ble Chairperson also informed the Committee that the responses to Members, supplementary questions will be received from the Ministry in due course of time. Accordingly, Hon'ble Chairperson directed that those responses would be incorporated at subsequent stages such as examination of subject reports, drafting On the Spot Study Tour questionnaires and even at the time of finalizing Action Taken Reports, if required.

The Committee then adjourned.

STANDING COMMITTEE ON DEFENCE (2020-21)

**MINUTES OF THE EIGHTH SITTING OF THE STANDING COMMITTEE ON
DEFENCE (2020-21)**

The Committee sat on Monday, the 15 March, 2021 from 1000 hrs. to 1045 hrs. in Committee Room No. 'B', Parliament House Annexe, New Delhi.

PRESENT

SHRI JUAL ORAM

-

CHAIRPERSON

MEMBERS

LOK SABHA

2. Shri Ajay Bhatt
3. Shri Rahul Gandhi
4. Shri Kapil Moreshwar Patil
5. Shri Anumula Revnath Reddy
6. Shri Jugal Kishore Sharma
7. Shri Prathap Simha
8. Shri Brijendra Singh
9. Shri Kotagiri Sridhar
10. Shri Durga Das Uikey

RAJYA SABHA

11. Dr. Ashok Bajpai
12. Shri Sanjay Raut
13. Dr. Sudhanshu Trivedi
14. Lt. Gen. Dr. D. P. Vats (Retd.)

SECRETARIAT

1. Smt. Kalpana Sharma - Additional Secretary
2. Dr. Sanjeev Sharma - Director
3. Shri Rahul Singh - Deputy Secretary

2. At the outset, the Chairperson welcomed the Members of the Committee and informed them about the agenda for the Sitting. The Committee then took up for consideration the following draft Reports:-

- (i) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'General Defence Budget, Border Roads Organisation, Indian Coast Guard, Defence Estates Organisation, Defence Public Sector Undertakings, Canteen Stores Department, Welfare of Ex-Servicemen and Defence Pensions(Demand Nos. 18 and 21)';
- (ii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Army, Navy, Air Force, Joint Staff, Military Engineer Services, Ex-Servicemen Contributory Health Scheme and Sainik Schools (Demand Nos. 19 and 20)';
- (iii) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)';
- (iv) Demands for Grants of the Ministry of Defence for the year 2021-22 on 'Ordnance Factories, Defence Research and Development Organisation, Directorate General of Quality Assurance, and National Cadet Corps (Demand Nos. 19 and 20)';
- (v) Action Taken by the Government on the Observations/Recommendations contained in the Third Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2019-20 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)'; and
- (vi) Action Taken by the Government on the Observations/Recommendations contained in the Seventh Report (17th Lok Sabha) on the subject 'Demands for Grants of the Ministry of Defence for the year 2020-21 on Capital Outlay on Defence Services, Procurement Policy, Defence Planning and Married Accommodation Project (Demand No. 20)';

3. After some deliberations, the Committee adopted the above reports without any modifications. During the deliberations, certain issues on the working of BRO, Ex-Servicemen Contributory Health Scheme and Defence Estates Organisation/ Cantonments figured. The Committee decided to include these issues during in-depth examination of the subject reports.

4. The Committee authorized the Chairperson to finalise the above draft Reports and present the same to the House on a date convenient to him.

The Committee then adjourned.

APPENDIX

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS CONTAINED IN THE SEVENTH REPORT (SEVENTEENTH LOK SABHA) ON 'CAPITAL OUTLAY ON DEFENCE SERVICES, PROCUREMENT POLICY, DEFENCE PLANNING AND MARRIED ACCOMMODATION PROJECT (DEMAND NO. 20)'

1. Total number of recommendations	36
2 (A). Observations/Recommendations which have been accepted by the Government (please see Chapter II (A)): Recommendation Nos. 4,7,8,12,13,15,16,17,18,19,20,21,22,23,25,26,27,28, 29,30,31,32 and 36.	Total : 23 Percentage: 63.9%
2 (B). Observations/Recommendations which have been accepted by the Government and commented upon (please see Chapter II (B)): Recommendation Nos. 1,2,3,5 and 6.	Total : 05 Percentage: 13.9%
3. Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government (please see Chapter III): - NIL-	Total : 0 Percentage: 0%

4. Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee, which require reiteration and commented upon. (please see Chapter IV):

Para No. 33

(1 Recommendation)

Percentage: 2.8 %

5. Observations/Recommendations in respect of which Government have furnished interim replies/replies awaited (please see Chapter V):

Para No. 9,10,11,14,24,34 and 35 .

(07 Recommendations)

Percentage: 19.4 %